

CITY OF GALLATIN, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Prepared by the City of Gallatin Finance Director

CITY OF GALLATIN, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

Introductory Section

Directory.....	i
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Financial Section

Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of	
Net Assets.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances –	
Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund	
Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Net Assets - Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary	
Funds.....	19
Statement of Cash Flows - Proprietary Funds.....	20
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and	
Actual - General Fund	22
Notes to the Financial Statements	36
Required Supplementary Information:	
Schedules of Funding Progress - Employee Retirement System	57
Schedules of Funding Progress – Other Post-employment Benefits	58
Other Supplementary Information Section	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Other Governmental Funds.....	59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –	
Other Governmental Funds.....	60
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and	
Actual – Special Services Fund.....	61
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and	
Actual - Drug Fund.....	62
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and	
Actual – Environmental Services Fund.....	63
Supplementary Schedules:	
Schedule of Changes in Property Taxes Receivable.....	64
Schedule of Electric Rates in Force	65
Schedule of Water and Sewer Rates in Force.....	67
Schedule of Gas Rates in Force	68
Schedule of Unaccounted for Water.....	69
Schedule of Principal and Interest Requirements - General Obligation Debt - City.....	70
Schedule of Long-term Debt - Proprietary Funds	71
Schedule of Bonds of Principal Officials.....	72
Schedule of Expenditures of Federal Awards.....	73
Schedule of State Financial Assistance	74

CITY OF GALLATIN, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

Statistical Section

Statistical Section Divider Page.....	75
Financial Trends Information - Net Assets by Component - Last Ten Fiscal Years.....	76
Financial Trends Information - Change in Net Assets - Last Ten Fiscal Years.....	77
Financial Trends Information - Fund Balances, Governmental Funds - Last Ten Fiscal Years.....	79
Financial Trends Information - Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years.....	80
Revenue Capacity Information - Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Tax Years.....	81
Revenue Capacity Information - Principal Property Tax Payers - Current Year and Nine Years Ago.....	82
Revenue Capacity Information - Property Tax Levies and Collections - Last Ten Fiscal Years.....	83
Debt Capacity Information - Ratios of Outstanding Debt by Type - Last Ten Fiscal Years.....	84
Debt Capacity Information - Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years.....	85
Debt Capacity Information - Pledged Revenue Coverage - Last Ten Fiscal Years.....	86
Demographic and Economic Information - Demographic and Economic Statistics - Last Ten Fiscal Years.....	87
Demographic and Economic Information - Principal Employers - Current Year and Nine Years Ago.....	88
Operating Information - Full-time Equivalent City Government Employees by Function/Program - Last Ten Fiscal Years.....	89
Operating Information - Operating Indicators by Function/Program - Last Ten Fiscal Years.....	90
Operating Information - Capital Asset Statistics by Function/Program - Last Ten Fiscal Years.....	91

Internal Control and Compliance Section

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	92
Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance Required by <i>OMB Circular A-133</i>	94
Schedule of Findings and Questioned Costs.....	96
Corrective Action Plan.....	100

FINANCIAL SECTION

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Certified Public Accountants
Offices in Tennessee & Kentucky

227 Oil Well Rd.
Jackson, TN 38305

Phone 731.427.8571
Fax 731.424.5701
www.atacpa.net

Independent Auditor's Report

Honorable Jo Ann Graves, Mayor
Members of the City Council
City of Gallatin, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gallatin, Tennessee (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Electric Division. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position and where applicable cash flows, thereof and the budgetary comparison for the general fund and the general purpose school fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Jo Ann Graves, Mayor
Members of the City Council
City of Gallatin, Tennessee

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the schedules of funding progress on pages 57 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining and individual nonmajor fund financial statements, the budgetary comparison schedules included as other supplementary information, and supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the financial statements. Such information was derived from and relates directly to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script, reading "Alexander Thompson Arnold, PE". The signature is written in dark ink and is positioned above the typed name and date.

Jackson, Tennessee
December 26, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gallatin, Tennessee, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. The analysis focuses on significant financial position, budget changes and specific issues related to funds and economic factors affecting the City. It also focuses on current year activities and the resulting changes.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$180.33 million as compared to \$181.63 million in the prior year. Of these amounts, \$38.66 million (unrestricted net assets) as compared to \$35.77 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$1.29 million in 2012 compared to an increase of \$6.80 million in 2011.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$10.77 million, an increase of \$864 thousand over the prior year. Approximately \$10.05 million of that total is available for spending at the government's discretion although \$2.03 million is assigned for capital projects, \$59,066 is assigned for the Industrial park, \$14,112 is assigned for police special projects, \$21,502 is assigned for cemetery use, and \$4.54 million is designated as the minimum fund balance.
- At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7.99 million, or 30% of the total general fund expenditures as compared to \$6.91 million the prior year.
- The City's total debt obligations increased by \$3.70 million during the current fiscal year. The increase was the result of a new water and sewer revenue and refunding and improvement bond.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of the following components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.
4. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

- The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, compensated absences, etc.).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, and cultural and recreation. The business-type activities of the City are made up of Water and Sewer, Natural Gas, and Electric Power services. The government-wide financial statements can be found on pages 10 to 12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements and reconciliations can be found on pages 13 to 16 of this report.

The City maintains seven governmental funds. Information is presented separately in the Balance Sheet - Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for the General Fund, which is considered to be a major fund. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements beginning on page 59.

The City adopts an annual appropriated budget for the General Fund and the special revenue funds. This includes the solid waste fund which is a required fund per Tennessee Code Annotated, but does not qualify as a special revenue fund and is instead included in the general fund for the basic governmental fund financial statements. Budgetary comparison statements have been provided on pages 22 to 35 and pages 61 to 63 of this report.

Proprietary funds - There are two different types of proprietary funds.

- *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Board of Public Utilities Electric, Water and Sewer, and Gas Divisions.
- *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City currently has no internal service funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer, Natural Gas, and Electric Power operations which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 17 to 21 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36 to 56 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's ability to meet its projected budget and the City's and Utility's schedules of funding progress for their respective pension plans.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$180.33 million at the close of the most recent fiscal year, as compared to \$181.63 million at the close of the previous year.

By far the largest portion of the City's net assets (78.50%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets \$107 thousand (0.06%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net assets representing unrestricted net assets \$38.66 million (21.44%) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its total governmental and total business-type activities.

Comparisons with the prior year data are presented below.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 21,971,324	\$ 20,626,629	\$ 43,428,265	\$ 41,457,759	\$ 65,399,589	\$ 62,084,38
Capital assets	52,917,155	57,917,565	136,348,577	130,095,884	189,265,732	188,013,44
Total assets	<u>\$ 74,888,479</u>	<u>\$ 78,544,194</u>	<u>\$ 179,776,842</u>	<u>\$ 171,553,643</u>	<u>\$ 254,665,321</u>	<u>\$ 250,097,83</u>
Long-term liabilities	\$ 11,904,128	\$ 12,728,742	\$ 38,151,834	\$ 35,321,112	\$ 50,055,962	\$ 48,049,85
Other liabilities	10,272,060	9,906,332	14,003,193	10,515,756	24,275,253	20,422,08
Total liabilities	<u>\$ 22,176,188</u>	<u>\$ 22,635,074</u>	<u>\$ 52,155,027</u>	<u>\$ 45,836,868</u>	<u>\$ 74,331,215</u>	<u>\$ 68,471,94</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 42,147,155	\$ 46,347,565	\$ 99,420,067	\$ 99,497,736	\$ 141,567,222	\$ 145,845,30
Restricted	100,024	15,000	7,425	-	107,449	15,00
Unrestricted	10,465,112	9,546,556	28,194,323	26,219,039	38,659,435	35,765,59
Total net assets	<u>\$ 52,712,291</u>	<u>\$ 55,909,121</u>	<u>\$ 127,621,815</u>	<u>\$ 125,716,775</u>	<u>\$ 180,334,106</u>	<u>\$ 181,625,89</u>

The government's total liabilities increased by \$5.86 million during the year primarily because of new debt issued.

Statement of Activities - Expenses in the governmental activities exceeded program revenues by \$20.12 million. In the business-type activities program revenues exceeded expenses by \$2.70 million. General government revenues and transfers of \$22.57 million offset the governmental activities deficit resulting in a positive change of net assets of \$2.45 million prior to the \$(5.65) million prior period adjustment. Other business-type revenues of \$155 thousand and transfers out of \$987 thousand reduced income in the business type activities leaving a positive change in net assets of \$1.87 million prior to the \$35,441 prior period adjustment.

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 4,813,637	\$ 5,342,165	\$ 87,971,678	\$ 90,017,000	\$ 92,785,315	\$ 95,359,16
Operating grants and contributions	948,083	854,869	-	-	948,083	854,86
Capital grants and contributions	1,465,557	4,020,980	675,644	685,151	2,141,201	4,706,13
General revenues:						
Property taxes	10,711,682	9,514,296	-	-	10,711,682	9,514,29
Other taxes	10,674,899	9,825,892	-	-	10,674,899	9,825,89
Other sources	193,908	341,547	155,459	689,745	349,367	1,031,29
Total revenues	<u>28,807,766</u>	<u>29,899,749</u>	<u>88,802,781</u>	<u>91,391,896</u>	<u>117,610,547</u>	<u>121,291,64</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenses:

General government	\$ 4,753,776	\$ 5,822,432	\$ -	\$ -	\$ 4,753,776	\$ 5,822,432
Public safety	11,090,606	10,522,520	-	-	11,090,606	10,522,520
Engineering	1,978,103	1,648,991	-	-	1,978,103	1,648,991
Environmental services	1,744,131	1,495,140	-	-	1,744,131	1,495,140
Animal control	119,396	109,535	-	-	119,396	109,535
Public works	1,215,578	572,127	-	-	1,215,578	572,127
Highway and streets	1,234,568	1,303,547	-	-	1,234,568	1,303,547
Vehicle maintenances	404,846	393,742	-	-	404,846	393,742
Parks and recreation	4,074,264	4,182,036	-	-	4,074,264	4,182,036
Economic Development	254,355	222,988	-	-	254,355	222,988
Interest on debt	472,734	484,738	-	-	472,734	484,738
Electric	-	-	61,686,993	60,976,208	61,686,993	60,976,208
Water and Sewer	-	-	11,256,106	11,510,424	11,256,106	11,510,424
Gas	-	-	13,002,653	15,257,278	13,002,653	15,257,278
Total expenses	27,342,357	26,757,796	85,945,752	87,743,910	113,288,109	114,501,700
Excess/(deficiency) of revenues						
over/under expenses	1,465,409	3,141,953	2,857,029	3,647,986	4,322,438	6,789,930
In lieu of taxes in (out)	987,430	669,414	(987,430)	(669,414)	-	-
Increase in net assets	2,452,839	3,811,367	1,869,599	2,978,572	4,322,438	6,789,930
Net assets - beginning	55,909,121	78,972,729	125,716,775	95,863,228	181,625,896	174,835,950
Prior period adjustment	(5,649,669)	(26,874,975)	35,441	26,874,975	(5,614,228)	-
Net assets - beginning - restated	50,259,452	52,097,754	125,752,216	122,738,203	176,011,668	174,835,950
Net assets - ending	\$ 52,712,291	\$ 55,909,121	\$ 127,621,815	\$ 125,716,775	\$ 180,334,106	\$ 181,625,890

In governmental activities, charges for services decreased \$529 thousand in 2012. Property taxes and in lieu of taxes had a modest increase of \$1.20 million and sales taxes increased \$827 thousand in 2012. Capital grants and contributions decreased \$2.56 million from 2011 to 2012. Other revenues remained relatively stable or increased slightly.

Governmental policy continues to recognize that local revenue sources must be the foundation for providing basic public services rather than depending on uncertain Federal and State sources. To this end, it is vitally important to continue efforts to seek balanced diversity, equity, and efficiency in local revenue systems to better accommodate future change.

Overall expenses for 2012 were more than expenses in 2011 in the governmental activities by \$585 thousand. For departments with increases, the increases were mainly due to capital projects and grant activities. The most significant increases in expenditures over those of the prior year occurred in Public Safety and Public Works. All departments worked diligently to keep operational spending to a minimum in continued tight economic times.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Based on the statements and discussion, the overall financial position of the City has improved during the period.

The general fund is the chief operation fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$7.99 million while total fund balance was \$8.30 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

balance and total fund balance to total fund expenditures. Unassigned fund balance represents 30% of total general fund expenditures in 2012 as compared to 25% in 2011.

The fund balance of the City's general fund increased by \$1.31 million during the current fiscal year. A key factor in this increase was additional revenues received from the State of Tennessee shared funds.

Proprietary funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds are considered business-type activities and are operated similarly. Net assets of the proprietary funds increased by \$1.91 million in 2012 as compared to \$2.98 million in 2011.

Unrestricted net assets of the proprietary funds amounted to \$28.19 million as compared to \$26.22 million in the prior year. The change in net assets (not including prior period adjustments) of the individual proprietary funds were as follows:

- Water and Sewer Fund - \$548 thousand in 2012 compared to \$869 thousand in 2011.
- Natural Gas Fund - \$1.49 million in 2012 compared to \$1.96 million in 2011.
- Electric Fund - \$(172) thousand in 2012 compared to \$152 thousand in 2011.

General Fund budgetary highlights - The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in a \$1.54 million increase in budgeted expenditures from the original budget. The increase of approximately 5% was mainly for projects/grants by Engineering and for Public Safety purchases.

Actual revenues surpassed budgeted amounts by \$1.21 million. As noted earlier, the largest increase was from State shared revenues while other revenue areas saw modest growth.

Actual expenditures were under budget by \$3.95 million, which was partially due to department heads holding spending but mostly was due to large projects that were budgeted for this year that will continue into next year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2012, the City had invested \$189.27 million net of accumulated depreciation in land, buildings, improvements, machinery and equipment, park facilities, roads, highways, bridges, and utility systems. The total increase in the City's investment in capital assets for the current fiscal year was 0.67%. Additional information on the City's capital assets can be found in Note 4.C. beginning on page 45 of this report.

Long-term debt - At the end of the current fiscal year, the City had total long-term debt outstanding of \$47.65 million as compared to \$43.95 million at the end of the prior fiscal year. Of this amount, \$11.97 million represents debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured by specific revenue sources (i.e. revenue and tax bonds) of the various enterprise funds. Information on the City's long-term debt can be found in Note 4.E. beginning on page 48 of this report.

The City of Gallatin maintains a "AA-" rating from Standards and Poors for general obligation debt. Also, the City rating from Moody's has been recalibrated to "Aa2".

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

General Fund Revenue - As the nation's economy continued to slowly stabilize in 2012, the City saw moderate increases in operating revenues. All categories except charges for services showed modest to moderate increases.

General Fund Expenditures and Capital Outlay - All departments were encouraged to cut costs wherever possible, while maintaining an awareness of the state of the national economy. The only new capital approved was for necessities or for grant-funded projects. All other capital funding was to complete existing projects.

General Fund Balance - At the end of the current fiscal year unassigned fund balance in the general fund was \$7.99 million. Management made a decision to continue to spend down some of the unassigned fund balance that had accumulated over the years on non-recurring expenses to better serve the citizens of Gallatin and to postpone other requests for funds.

Next Years Budgets and Rates - The City continues to encourage departments to be frugal and cut spending whenever possible due to the slow recovery of the local and national economies. The City will make any necessary adjustments to operate within available revenues. The City has no plans to increase the property tax rate paid by citizens.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Gallatin's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance, City of Gallatin, 132 West Main Street, Gallatin, TN, 37066.

BASIC FINANCIAL STATEMENTS

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET ASSETS
For the Fiscal Year Ended June 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,787,962	\$ 26,005,031	\$ 33,792,993
Certificates of deposit	-	5,019,414	5,019,414
Investments	21,025	-	21,025
Receivables			
Interest	313,194	-	313,194
Taxes (net of allowance)	10,072,308	-	10,072,308
Accounts (net of allowance)	538,011	8,952,016	9,490,027
Fines (net of allowance)	60,666	-	60,666
Grant	481,753	-	481,753
Intergovernmental	2,488,491	-	2,488,491
Other	218,798	19,952	238,750
Internal balances	(184,013)	184,013	-
Prepayments and other current assets	3,900	376,571	380,471
Materials and supplies	65,681	1,742,609	1,808,290
Restricted assets:			
Cash and cash equivalents	-	7,425	7,425
Prepaid power costs	-	50,000	50,000
Unamortized truck repairs	-	15,531	15,531
Other receivables	-	31,532	31,532
Unamortized debt expense	103,548	578,968	682,516
Contracts receivable - for home weatherization program	-	445,203	445,203
Capital assets, not being depreciated			
Land	10,989,991	2,413,035	13,403,026
Construction in progress	-	176,389	176,389
Capital assets, net of accumulated depreciation			
Transmission plant	-	108,362	108,362
Distribution plant	-	95,901,079	95,901,079
General plant	-	594,563	594,563
Buildings	8,857,664	34,677,992	43,535,656
Improvements other than buildings	29,930,348	-	29,930,348
Operating equipment	-	359,178	359,178
Rolling stock	2,003,216	741,738	2,744,954
Office furniture and equipment	1,135,936	115,289	1,251,225
Acquisition adjustments	-	1,260,952	1,260,952
Total assets	\$ 74,888,479	\$ 179,776,842	\$ 254,665,321

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET ASSETS
For the Fiscal Year Ended June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Liabilities			
Checks written against future deposits	\$ 104,635	\$ -	\$ 104,635
Accounts payable	72,759	11,687,425	11,760,184
Accrued expenses	133,212	250,102	383,314
Accrued interest	8,628	29,081	37,709
Customer deposits	-	2,036,585	2,036,585
Deferred revenue	9,657,501	-	9,657,501
Performance deposits	295,325	-	295,325
Long-term liabilities			
Due within one year	843,417	1,780,435	2,623,852
Due in excess of one year	11,060,711	36,371,399	47,432,110
Total liabilities	<u>22,176,188</u>	<u>52,155,027</u>	<u>74,331,215</u>
Net Assets			
Investment in capital assets, net of related debt	42,147,155	99,420,067	141,567,222
Restricted for			
Workman's compensation adjustment	-	7,425	7,425
Police special projects	26,627	-	26,627
Drug enforcement	73,397	-	73,397
Unrestricted	10,465,112	28,194,323	38,659,435
Total net assets	<u>\$ 52,712,291</u>	<u>\$ 127,621,815</u>	<u>\$ 180,334,106</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Primary government						
Governmental activities						
General government	\$ 4,753,776	\$ 508,240	\$ 32,593	\$ -	\$ (4,212,943)	\$ -
Public safety	11,090,606	1,479,913	68,400	687,534	(8,854,759)	-
Engineering	1,978,103	-	-	-	(1,978,103)	-
Environmental services	1,744,131	1,154,482	-	-	(589,649)	-
Animal control	119,396	-	-	-	(119,396)	-
Public works	1,215,578	-	-	602,211	(613,367)	-
Highways and streets	1,234,568	-	847,090	171,226	(216,252)	-
Vehicle maintenance	404,846	144,985	-	-	(259,861)	-
Parks and recreation	4,074,264	1,526,017	-	4,586	(2,543,661)	-
Economic development	254,355	-	-	-	(254,355)	-
Debt service	472,734	-	-	-	(472,734)	-
Total governmental activities	27,342,357	4,813,637	948,083	1,465,557	(20,115,080)	-
Business-type activities						
Electric	61,686,993	61,933,367	-	56,416	-	302,790
Water & Sewer	11,256,106	11,280,703	-	619,228	-	643,825
Gas	13,002,653	14,757,608	-	-	-	1,754,955
Total business-type activities	\$ 85,945,752	\$ 87,971,678	\$ -	\$ 675,644	-	2,701,570
General revenues						
Property taxes - levied for general government					10,317,991	-
In lieu of taxes - other governments					393,691	-
Sales taxes					7,700,686	-
Franchise taxes					379,020	-
Alcoholic beverage taxes					1,067,339	-
Business taxes					668,252	-
Income taxes					859,602	-
Other sources					141,898	-
Sale of capital assets					46,519	9,359
Unrestricted interest income					5,491	146,100
Total general revenues					21,580,489	155,459
Transfers						
In lieu of taxes in (out)					987,430	(987,430)
Total general revenues and transfers					22,567,919	21,735,948
Changes in net assets					2,452,839	1,869,599
Net assets - beginning					55,909,121	125,716,775
Prior period adjustment					(5,649,669)	35,441
Net assets, beginning - restated					50,259,452	125,752,216
Net assets - ending					\$ 52,712,291	\$ 127,621,815

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 5,085,127	\$ 2,702,835	\$ 7,787,962
Investments	-	21,025	21,025
Receivables			
Interest	310,973	2,221	313,194
Taxes (net of allowance of \$166,082)	10,072,308	-	10,072,308
Accounts (net of allowance of \$21,474)	538,011	-	538,011
Fines (net of allowance of \$1,946,245)	60,666	-	60,666
Grants	421,547	60,206	481,753
Intergovernmental	2,488,491	-	2,488,491
Other	1,319	217,479	218,798
Due from other funds	23,544	-	23,544
Prepays	3,900	-	3,900
Inventories	65,681	-	65,681
Total assets	<u>\$ 19,071,567</u>	<u>\$ 3,003,766</u>	<u>\$ 22,075,333</u>
Liabilities and Fund Balances			
Liabilities			
Checks written against future deposits	-	104,635	104,635
Accounts payable	39,266	33,493	72,759
Accrued expenses	133,212	-	133,212
Due to other funds	207,557	-	207,557
Deferred revenue	10,391,395	100,349	10,491,744
Performance deposits	-	295,325	295,325
Total liabilities	<u>10,771,430</u>	<u>533,802</u>	<u>11,305,232</u>
Fund balances			
Nonspendable			
Funds held in trust	-	15,000	15,000
Prepays	3,900	-	3,900
Inventory	65,681	-	65,681
Restricted for:			
Funds held in trust	-	355,698	355,698
Police special projects	-	26,627	26,627
Drug enforcement	-	73,397	73,397
Committed for:			
Economic development	184,395	-	184,395
Assigned for			
Industrial park	59,066	-	59,066
Capital projects	-	2,028,081	2,028,081
Police special projects	-	14,112	14,112
Cemetery	-	21,502	21,502
Unassigned	7,987,095	(64,453)	7,922,642
Total fund balances	<u>8,300,137</u>	<u>2,469,964</u>	<u>10,770,101</u>
Total liabilities and fund balances	<u>\$ 19,071,567</u>	<u>\$ 3,003,766</u>	<u>\$ 22,075,333</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012

Amounts reported for the governmental activities in the statement of net assets (Page 11) are different because:

Fund balance - total governmental funds (Page 13)	\$ 10,770,101
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.	52,917,155
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds.	834,243
Long-term liabilities, including notes, bonds, leases payable, and other long term liabilities are not due in the current period and, therefore, are not reported in the funds.	<u>(11,800,580)</u>
Net assets - governmental activities (Page 11)	<u>\$ 52,712,291</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 17,262,010	\$ -	\$ 17,262,010
Licenses and permits	315,602	-	315,602
Intergovernmental	5,466,487	276,299	5,742,786
Charges for services	2,993,059	-	2,993,059
Fines	1,359,481	120,432	1,479,913
Other	206,148	34,671	240,819
Total revenues	<u>27,602,787</u>	<u>431,402</u>	<u>28,034,189</u>
Expenditures			
Current			
General government	4,443,691	-	4,443,691
Public safety	10,605,027	155,441	10,760,468
Engineering	1,955,555	-	1,955,555
Environmental services	1,586,909	-	1,586,909
Animal control	117,017	-	117,017
Public works	299,485	292,726	592,211
Highways and streets	1,154,834	-	1,154,834
Vehicle maintenance	402,507	-	402,507
Parks and recreation	3,731,027	-	3,731,027
Economic development	254,355	-	254,355
Capital outlay	728,576	979,980	1,708,556
Debt service			
Principal	800,000	-	800,000
Interest	458,795	-	458,795
Total expenditures	<u>26,537,778</u>	<u>1,428,147</u>	<u>27,965,925</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,065,009</u>	<u>(996,745)</u>	<u>68,264</u>
Other financing sources (uses)			
Transfers in - in lieu of taxes	987,430	-	987,430
Transfers in	955,255	1,038,997	1,994,252
Transfers out	(1,394,252)	(600,000)	(1,994,252)
Total other financing sources (uses)	<u>548,433</u>	<u>438,997</u>	<u>987,430</u>
Net changes in fund balances	<u>1,613,442</u>	<u>(557,748)</u>	<u>1,055,694</u>
Fund balances - beginning	6,987,564	2,918,747	9,906,311
Prior period adjustment	(300,869)	108,965	(191,904)
Fund balances - beginning - restated	<u>6,686,695</u>	<u>3,027,712</u>	<u>9,714,407</u>
Fund balances - ending	<u>\$ 8,300,137</u>	<u>\$ 2,469,964</u>	<u>\$ 10,770,101</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

Amounts reported for the governmental activities in the statement of activities (Page 12) are different because:

Net change in fund balances - total governmental funds (Page 15)	\$ 1,055,694
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period. This is the amount by which depreciation exceeded capital outlays in the current period.	(147,928)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	773,577
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any effect on net assets.	800,000
Some expenses reported in the statement of activities, such as accrued leave do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(28,504)</u>
Change in net assets of governmental activities (Page 12)	<u>\$ 2,452,839</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

Assets	Electric Division	Water & Sewer Division	Gas Division	Totals
Current assets				
Cash on hand	\$ -	\$ 1,460	\$ 280	\$ 1,740
Cash and cash equivalents - general	6,580,664	9,318,574	10,104,053	26,003,291
Cash and cash equivalents - restricted	7,425	-	-	7,425
Certificates of deposit	5,019,414	-	-	5,019,414
Accounts receivable - trade (net of allowance for uncollectibles)	7,047,333	1,163,516	741,167	8,952,016
Accounts receivable - other	-	12,336	7,616	19,952
Due from other funds	-	322,254	523,403	845,657
Prepayments and other current assets	356,255	-	20,316	376,571
Materials and supplies	679,763	294,223	768,623	1,742,609
Portion of non-current receivables due within one year	49,898	-	-	49,898
Total current assets	19,740,752	11,112,363	12,165,458	43,018,573
Noncurrent assets				
Other assets				
Prepaid power cost - TVA	50,000	-	-	50,000
Unamortized truck repairs (Cost \$68,577 less amortization \$53,046)	15,531	-	-	15,531
Other receivables	31,532	-	-	31,532
Unamortized debt expense	-	578,968	-	578,968
Contracts receivable - for home weatherization	395,305	-	-	395,305
Total other assets	492,368	578,968	-	1,071,336
Capital assets, not being depreciated				
Land	1,139,141	1,080,861	193,033	2,413,035
Construction in progress	176,389	-	-	176,389
Capital assets, net of accumulated depreciation				
Transmission plant	108,362	-	-	108,362
Distribution plant	20,109,179	59,732,941	16,058,959	95,901,079
General plant	594,563	-	-	594,563
Buildings	-	34,316,829	361,163	34,677,992
Improvements other than buildings	-	-	-	-
Operating equipment	-	247,927	111,251	359,178
Rolling stock	-	531,790	209,948	741,738
Office furniture and equipment	-	57,752	57,537	115,289
Acquisition adjustments	1,260,952	-	-	1,260,952
Total capital assets	23,388,586	95,968,100	16,991,891	136,348,577
Total noncurrent assets	23,880,954	96,547,068	16,991,891	137,419,913
Total assets	\$ 43,621,706	\$ 107,659,431	\$ 29,157,349	\$ 180,438,486

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

Liabilities	Electric Division	Water & Sewer Division	Gas Division	Totals
Current liabilities				
Accounts payable	\$ 10,930,270	\$ 53,793	\$ 703,362	\$ 11,687,425
Other accrued expense	250,102	-	-	250,102
Due to other funds	-	523,403	138,241	661,644
Accrued interest	11,383	17,698	-	29,081
Customers' deposits	1,854,255	53,900	128,430	2,036,585
Accrued leave	120,006	-	-	120,006
Current maturities of long-term debt	174,048	1,465,000	-	1,639,048
Total current liabilities	<u>13,340,064</u>	<u>2,113,794</u>	<u>970,033</u>	<u>16,423,891</u>
Noncurrent liabilities				
Bonds payable (less current maturities)	-	34,718,608	-	34,718,608
Accrued leave	254,375	229,184	127,724	611,283
Other post employment benefits	40,567	-	-	40,567
Contracts payable	620,752	-	-	620,752
Advances from Tennessee Valley Authority - Home Insulation Program	401,570	-	-	401,570
Total noncurrent liabilities	<u>1,317,264</u>	<u>34,947,792</u>	<u>127,724</u>	<u>36,392,780</u>
Total liabilities	<u>14,657,328</u>	<u>37,061,586</u>	<u>1,097,757</u>	<u>52,816,671</u>
Net assets				
Invested in capital assets, net of related debt	22,643,684	59,784,492	16,991,891	99,420,067
Restricted	7,425	-	-	7,425
Unrestricted	6,313,269	10,813,353	11,067,701	28,194,323
Total net assets	<u>28,964,378</u>	<u>70,597,845</u>	<u>28,059,592</u>	<u>127,621,815</u>
Total liabilities and net assets	<u>\$ 43,621,706</u>	<u>\$ 107,659,431</u>	<u>\$ 29,157,349</u>	<u>\$ 180,438,486</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2012

	Electric Division	Water & Sewer Division	Gas Division	Totals
Operating revenues				
Charges for sales and service	\$ 61,109,528	\$ 10,944,632	\$ 14,340,811	\$ 86,394,971
Forfeited discounts	223,439	127,706	-	351,145
Other operating revenue	600,400	208,365	416,797	1,225,562
Total operating revenues	<u>61,933,367</u>	<u>11,280,703</u>	<u>14,757,608</u>	<u>87,971,678</u>
Operating expenses				
Cost of sales and service	57,079,415	-	10,769,234	67,848,649
Water treatment and pumping	-	1,264,553	-	1,264,553
Transmission and distribution	902,007	1,234,593	916,494	3,053,094
Customer service and collection	630,760	527,071	278,970	1,436,801
General administration	923,322	773,596	377,403	2,074,321
Sewer collection	-	991,862	-	991,862
Sewer system rehab	-	311,889	-	311,889
Sewer treatment and disposal	-	1,207,941	-	1,207,941
Sewer pretreatment	-	68,843	-	68,843
Maintenance	674,911	-	-	674,911
Customer deposit interest	12,885	-	-	12,885
Amortization - acquisition adjustments	235,490	-	-	235,490
Provision for depreciation	1,228,203	3,428,184	660,552	5,316,939
Total operating expenses	<u>61,686,993</u>	<u>9,808,532</u>	<u>13,002,653</u>	<u>84,498,178</u>
Operating income (loss)	<u>246,374</u>	<u>1,472,171</u>	<u>1,754,955</u>	<u>3,473,500</u>
Nonoperating revenues (expenses)				
Interest and other income	125,290	13,593	7,217	146,100
Tap fees	-	319,420	-	319,420
Gain (loss) on sale of fixed assets	-	9,359	-	9,359
Amortization expense	-	(3,045)	-	(3,045)
Interest and other expense	-	(1,444,529)	-	(1,444,529)
Total nonoperating revenues (expenses)	<u>125,290</u>	<u>(1,105,202)</u>	<u>7,217</u>	<u>(972,695)</u>
Income (loss) before transfers and contributions	<u>371,664</u>	<u>366,969</u>	<u>1,762,172</u>	<u>2,500,805</u>
Transfers and capital contributions				
Transfers out - in lieu of taxes	(600,027)	(119,206)	(268,197)	(987,430)
Capital contributions	56,416	299,808	-	356,224
Total transfers and capital contributions	<u>(543,611)</u>	<u>180,602</u>	<u>(268,197)</u>	<u>(631,206)</u>
Change in net assets	(171,947)	547,571	1,493,975	1,869,599
Total net assets - beginning	<u>29,136,325</u>	<u>69,474,619</u>	<u>27,105,831</u>	<u>125,716,775</u>
Prior period adjustment	-	575,655	(540,214)	35,441
Total net assets - beginning - restated	<u>29,136,325</u>	<u>70,050,274</u>	<u>26,565,617</u>	<u>125,752,216</u>
Total net assets - ending	<u>\$ 28,964,378</u>	<u>\$ 70,597,845</u>	<u>\$ 28,059,592</u>	<u>\$ 127,621,815</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2012

	Electric Division	Water & Sewer Division	Gas Division	Totals
Cash flows from operating activities:				
Cash received from consumers	\$ 61,174,336	\$ 11,621,491	\$ 14,520,109	\$ 87,315,936
Cash paid to suppliers of goods and services	(56,054,517)	(3,011,102)	(11,287,988)	(70,353,607)
Cash paid to employees for services	(1,981,445)	(3,419,069)	(936,599)	(6,337,113)
Interest paid on customer deposits	(11,769)	-	-	(11,769)
Net increase in TVA loan funds receivable	(69,218)	-	-	(69,218)
Net increase in TVA loan funds payable	70,204	-	-	70,204
Net change in customer deposits	-	5,100	10,280	15,380
Payments in lieu of tax	(600,027)	(119,206)	(268,197)	(987,430)
Net cash provided (used) by operating activities	<u>2,527,564</u>	<u>5,077,214</u>	<u>2,037,605</u>	<u>9,642,383</u>
Cash flows from capital and related financing activities:				
Capital contributed by customers and grants	56,416	299,808	-	356,224
Principal paid on debt	-	(4,524,150)	-	(4,524,150)
Proceeds from the issuance of debt	-	8,913,804	-	8,913,804
Interest paid on bonds, notes and leases	-	(1,432,267)	-	(1,432,267)
Construction and acquisition of plant	(1,258,465)	(7,329,662)	(1,376,935)	(9,965,062)
Received on sale of assets	100,260	-	-	100,260
Plant removal cost	(99,204)	-	-	(99,204)
Payments on contracts	(124,150)	-	-	(124,150)
Net cash provided (used) by capital and related financing activities	<u>(1,325,143)</u>	<u>(4,072,467)</u>	<u>(1,376,935)</u>	<u>(6,774,545)</u>
Cash flows from investing activities:				
Proceeds from sale and maturities of investments	3,137	-	-	3,137
Interest and other income	125,290	13,593	7,217	146,100
Net cash provided (used) by investing activities	<u>128,427</u>	<u>13,593</u>	<u>7,217</u>	<u>149,237</u>
Net increase (decrease) in cash and cash equivalents	1,330,848	1,018,340	667,887	3,017,075
Cash and cash equivalents - beginning of year	5,257,241	8,823,746	9,436,446	23,517,433
Adjustment to beginning cash	-	(522,052)	-	(522,052)
Cash and cash equivalents - beginning of year - restated	<u>5,257,241</u>	<u>8,301,694</u>	<u>9,436,446</u>	<u>22,995,381</u>
Cash and cash equivalents - end of year	<u>\$ 6,588,089</u>	<u>\$ 9,320,034</u>	<u>\$ 10,104,333</u>	<u>\$ 26,012,456</u>
Cash and cash equivalents				
Unrestricted cash on hand	-	1,460	280	1,740
Unrestricted cash and cash equivalents on deposit	6,580,664	9,318,574	10,104,053	26,003,291
Restricted cash and cash equivalents on deposit	7,425	-	-	7,425
Total cash and cash equivalents	<u>\$ 6,588,089</u>	<u>\$ 9,320,034</u>	<u>\$ 10,104,333</u>	<u>\$ 26,012,456</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2012

	<u>Electric Division</u>	<u>Water & Sewer Division</u>	<u>Gas Division</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 246,374	\$ 1,472,171	\$ 1,754,955	\$ 3,473,500
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization of acquisition costs	1,516,870	3,428,184	660,552	5,605,606
Payments in lieu of tax	(600,027)	(119,206)	(268,197)	(987,430)
Tap Fees	-	319,420	-	319,420
Changes in assets and liabilities:				
Accounts receivable	(759,031)	21,368	(237,499)	(975,162)
Due from other funds	-	-	(23,544)	(23,544)
Materials and supplies	(4,672)	(27,573)	336,458	304,213
Prepayments and other current assets	618	-	(20,316)	(19,698)
TVA contracts receivable - home weatherization	(69,218)	-	-	(69,218)
Accounts payable and accrued expenses	1,921,776	3,177	(168,773)	1,756,180
Other accrued expense	17,858	(40,363)	(8,695)	(31,200)
Accrued interest	1,116	-	-	1,116
Due to other funds	-	-	23,544	23,544
Customers' deposits	126,640	5,100	10,280	142,020
Accrued leave	50,535	14,936	(21,160)	44,311
TVA contracts payable - home weatherization	70,204	-	-	70,204
Accrued post employment benefits other than pensions	8,521	-	-	8,521
Net cash provided (used) by operating activities	<u>\$ 2,527,564</u>	<u>\$ 5,077,214</u>	<u>\$ 2,037,605</u>	<u>\$ 9,642,383</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Over (Under)
Revenues:	Original	Final	Actual	
Taxes:				
Property tax current	\$9,020,000	\$9,020,000	\$ 9,168,319	\$ 148,319
Property taxes delinquent	370,000	\$ 370,000	319,080	(50,920)
Property tax penalty and interest	140,000	140,000	78,305	(61,695)
Local sales tax	5,000,000	5,000,000	5,644,893	644,893
Local beer tax	680,000	680,000	759,500	79,500
Local liquor tax	200,000	200,000	214,983	14,983
Business tax	480,000	480,000	643,796	163,796
Privilege tax	20,000	20,000	24,456	4,456
Cable TV franchise fee	300,000	300,000	379,020	79,020
Special assessments	7,500	7,500	29,658	22,158
	<u>16,217,500</u>	<u>16,217,500</u>	<u>17,262,010</u>	<u>1,044,510</u>
Licenses and permits:				
Beer licenses	5,500	5,500	5,150	(350)
Building permits	150,000	150,000	213,750	63,750
Plumbing permits	30,000	30,000	28,225	(1,775)
Zoning	7,500	8,246	16,951	8,705
Other mechanical permits	37,000	37,000	51,476	14,476
Other permits	-	-	50	50
	<u>230,000</u>	<u>230,746</u>	<u>315,602</u>	<u>84,856</u>
Intergovernmental:				
In lieu of tax - Housing authority	47,120	47,120	43,872	(3,248)
State - sales tax	1,525,000	1,525,000	2,053,913	528,913
State - income tax	275,000	275,000	839,918	564,918
State - beer tax	12,000	12,000	14,863	2,863
State - mixed drink tax	70,000	70,000	77,993	7,993
State - gas and motor fuel tax	600,000	600,000	784,946	184,946
State - city streets	51,360	51,360	62,144	10,784
State - telecomm	2,000	2,000	1,880	(120)
State - TVA in lieu of tax	250,000	250,000	349,819	99,819
State - excise tax	15,000	15,000	19,684	4,684
State salary supplements	-	-	68,400	68,400
State reimbursement - unemployment	-	-	7,037	7,037
Other federal grants	702,000	720,457	793,193	72,736
ARRA #2 South Water St	-	-	2,591	2,591
ARRA #4 Streetscape	-	-	76,361	76,361

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Over (Under)
Revenues:	Original	Final	Actual	
Intergovernmental (cont.):				
ARRA #6 Coles Ferry Mitigation	\$ -	\$ -	\$ 11,594	\$ 11,594
TDOT Greenway Phase I	-	-	134,799	134,799
Other state grants	1,900,500	2,068,900	121,571	(1,947,329)
	<u>5,449,980</u>	<u>5,636,837</u>	<u>5,464,578</u>	<u>(172,259)</u>
Charges for services:				
Admin and management services	1,000	1,000	1,000	-
Accounting and management services	79,000	79,000	84,670	5,670
Personnel services	24,000	24,000	24,000	-
Other legal services	44,000	44,000	44,250	250
Miscellaneous	6,500	7,480	8,870	1,390
Vehicle maintenance charges	126,000	126,000	144,985	18,985
Rent	28,300	28,300	29,848	1,548
Golf course revenue	830,000	830,000	749,412	(80,588)
Civic center revenue	674,500	674,500	776,605	102,105
	<u>1,813,300</u>	<u>1,814,280</u>	<u>1,863,640</u>	<u>49,360</u>
Fines and forfeitures:				
Fines and forfeitures:	657,500	753,700	1,003,938	250,238
A.C.E.S red light revenue	450,000	450,000	325,179	(124,821)
Drug fines	-	-	23,211	23,211
Drivers education fees	-	-	7,153	7,153
	<u>1,107,500</u>	<u>1,203,700</u>	<u>1,359,481</u>	<u>155,781</u>
Other:				
Miscellaneous	5,000	5,000	12,771	7,771
Sale of cemetery lots	6,000	6,000	14,200	8,200
Sale of materials	-	159	3,778	3,619
Sale of equipment	5,000	38,049	46,519	8,470
Donations	-	471	30,794	30,323
Insurance recoveries	-	38,064	32,060	(6,004)
Interest	12,000	12,000	5,491	(6,509)
	<u>28,000</u>	<u>99,743</u>	<u>145,613</u>	<u>45,870</u>
Total revenues	\$ 24,846,280	\$ 25,202,806	\$ 26,410,924	\$ 1,208,118

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
Expenditures:				
General government:				
Mayor's office:				
Current:				
Salaries	\$ 206,447	\$ 206,447	\$ 205,868	\$ (579)
Employee benefits and taxes	56,520	56,520	50,501	(6,019)
Officials fees	51,650	41,650	41,155	(495)
Printing & publications	3,300	3,300	3,436	136
Membership fees	21,730	21,730	27,516	5,786
Utilities	3,050	3,050	3,541	491
Other professional services	33,000	70,300	68,136	(2,164)
Travel and meals	5,500	5,000	3,652	(1,348)
Mayor's expenses	3,600	3,600	5,738	2,138
Office supplies	1,800	1,800	1,556	(244)
Payments in lieu of tax	119,900	119,900	120,005	105
Discounts on taxes	5,500	5,500	8,272	2,772
Grants, donations	1,200	1,200	1,377	177
RTA program	25,000	29,688	25,000	(4,688)
Prizes and awards	5,500	5,500	5,730	230
Bad debts	-	-	4,688	4,688
Downtown landscape and streetscape	6,586	6,586	3,164	(3,422)
Miscellaneous	18,543	2,243	1,453	(790)
Noncapital expenditures	-	100,000	82,459	(17,541)
	<u>568,826</u>	<u>684,014</u>	<u>663,247</u>	<u>(20,767)</u>
 Finance department:				
Current:				
Salaries	259,615	259,615	259,935	320
Employee benefits and taxes	66,066	66,566	63,734	(2,832)
Postage	3,600	3,600	3,261	(339)
Printing & publications	3,250	3,250	3,759	509
Membership fees	1,000	1,000	866	(134)
Utilities	2,200	2,200	1,962	(238)
Accounting services	36,000	36,000	43,000	7,000
Data processing services	30,000	30,000	28,560	(1,440)
Operating supplies	8,000	8,000	3,481	(4,519)
Miscellaneous	100	100	189	89
Noncapital expenditures	3,000	3,000	4,176	1,176
	<u>\$ 412,831</u>	<u>\$ 413,331</u>	<u>\$ 412,923</u>	<u>\$ (408)</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
General government:				
City recorder:				
Current:				
Salaries	\$ 290,747	\$ 290,747	\$ 263,825	\$ (26,922)
Employee benefits and taxes	87,102	87,102	77,976	(9,126)
Postage	8,500	8,500	8,491	(9)
Printing & publications	2,150	2,150	2,741	591
Membership fees	1,500	1,500	725	(775)
Utilities	4,750	4,750	4,109	(641)
Professional services	750	750	530	(220)
Data processing services	45,000	45,000	28,777	(16,223)
Other professional services	4,500	4,500	3,757	(743)
Travel	2,500	2,500	827	(1,673)
Other contractual services	1,000	1,000	1,295	295
Office supplies	4,200	4,200	3,900	(300)
Court software	-	11,965	2,675	(9,290)
Miscellaneous	13,070	13,070	328	(12,742)
Noncapital expenditures	1,000	1,000	-	(1,000)
	<u>2</u>	<u>478,734</u>	<u>399,956</u>	<u>(78,778)</u>
 Risk management:				
Current:				
Workers compensation	275,000	275,000	232,401	(42,599)
Building insurance	60,000	60,000	37,931	(22,069)
General liability	220,000	216,500	203,335	(13,165)
Equipment insurance	2,500	2,500	-	(2,500)
	<u>557,500</u>	<u>554,000</u>	<u>473,667</u>	<u>(80,333)</u>
 Attorney:				
Current:				
Salaries	209,405	209,405	205,549	(3,856)
Employee benefits and taxes	52,615	57,115	55,383	(1,732)
Printing & publications	3,000	3,000	3,018	18
Licenses	-	1,300	900	(400)
Tax law or other publications	12,500	12,500	12,601	101
Membership fees	2,200	2,200	2,261	61

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
Expenditures:	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
General government:				
Attorney:				
Current:				
Utilities	\$ 2,050	\$ 2,050	\$ 2,021	\$ (29)
Legal services	14,000	17,500	20,960	3,460
Other professional services	10,810	10,810	16,494	5,684
Travel	2,635	2,635	640	(1,995)
Office supplies	500	500	501	1
Records preservation	12,742	12,742	11,799	(943)
Miscellaneous	1,400	1,400	626	(774)
	<u>323,857</u>	<u>333,157</u>	<u>332,753</u>	<u>(404)</u>
Information technology:				
Current:				
Salaries	154,389	154,389	146,915	(7,474)
Employee benefits and taxes	46,296	46,296	38,336	(7,960)
Copier expense	1,027	1,027	879	(148)
Membership fees	150	150	3,136	2,986
Utilities	36,200	36,200	33,769	(2,431)
Other professional services	3,000	3,000	2,735	(265)
Other contractual services	27,500	27,500	38,759	11,259
Office supplies	2,000	3,696	3,969	273
Miscellaneous	400	400	183	(217)
Noncapital expenditures	9,598	9,598	9,598	-
Capital outlay	26,402	28,297	25,502	(2,795)
	<u>306,962</u>	<u>310,553</u>	<u>303,781</u>	<u>(6,772)</u>
Personnel:				
Current:				
Salaries	123,170	123,170	123,036	(134)
Employee benefits and taxes	37,012	37,012	33,424	(3,588)
Printing & publications	5,645	5,645	5,132	(513)
Utilities	2,010	2,010	1,954	(56)
Physicals	4,800	4,800	5,202	402
Data processing services	2,305	2,305	2,370	65
Office supplies	700	700	685	(15)
Miscellaneous	1,550	1,550	615	(935)
	<u>\$ 177,192</u>	<u>\$ 177,192</u>	<u>\$ 172,418</u>	<u>\$ (4,774)</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
General government:				
City Planner:				
Current:				
Salaries	\$ 684,953	\$ 673,024	\$ 672,848	\$ (176)
Employee benefits and taxes	207,487	207,578	203,104	(4,474)
Planning commission	21,768	22,514	23,341	827
Postage	1,000	1,600	2,215	615
Printing & publications	3,850	3,850	2,140	(1,710)
Membership fees	5,500	5,500	5,859	359
Utilities	8,215	8,215	9,168	953
Professional services	-	-	2,775	2,775
Data processing services	7,500	7,200	7,200	-
Repairs and maintenance	4,000	4,000	2,867	(1,133)
Other contractual services	-	17,721	17,855	134
Office supplies	5,000	5,000	4,300	(700)
Gas, oil, diesel, etc.	8,800	9,100	9,243	143
Credit card fees	-	2,500	2,209	(291)
Miscellaneous	470	470	171	(299)
Noncapital expenditures	-	9,353	3,516	(5,837)
	<u>958,543</u>	<u>977,625</u>	<u>968,811</u>	<u>(8,814)</u>
 General government buildings:				
Current:				
Salaries	187,244	187,322	187,021	(301)
Employee benefits and taxes	64,777	64,777	67,291	2,514
Utilities	78,150	78,150	70,791	(7,359)
Repairs and maintenance	15,000	24,335	27,848	3,513
Other contractual services	9,000	10,775	11,304	529
Inmate crew expense	10,500	10,500	8,432	(2,068)
Small equipment	750	750	603	(147)
Operating supplies	2,000	2,000	2,049	49
Janitorial supplies	7,500	7,500	7,715	215
Gas, oil, diesel, etc.	6,500	6,500	7,397	897
Miscellaneous	950	950	391	(559)
Noncapital expenditures	<u>31,750</u>	<u>51,174</u>	<u>36,135</u>	<u>(15,039)</u>
	<u>\$ 414,121</u>	<u>\$ 444,733</u>	<u>\$ 426,977</u>	<u>\$ (17,756)</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Over (Under)</u>
Expenditures:	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
General government:				
Community services:				
Current:				
Grants and donations	\$ 246,100	\$ 246,100	\$ 242,660	\$ (3,440)
Appropriations to non profits	72,000	72,000	72,000	-
	<u>318,100</u>	<u>318,100</u>	<u>314,660</u>	<u>(3,440)</u>
 Total general government	 <u>4,037,934</u>	 <u>4,691,439</u>	 <u>4,469,193</u>	 <u>(222,246)</u>
 Public safety:				
Police:				
Current:				
Salaries	3,918,702	3,958,635	3,969,453	10,818
Employee benefits and taxes	1,225,319	1,225,319	1,172,858	(52,461)
Postage	2,500	2,500	2,845	345
Printing & publications	27,700	27,700	29,817	2,117
Membership fees	24,000	24,000	22,804	(1,196)
Public relations	1,500	1,736	2,018	282
Utilities	61,700	61,700	68,412	6,712
Physicals	10,000	10,000	9,753	(247)
Data processing services	21,000	21,000	21,116	116
Repairs and maintenances	80,000	87,774	90,931	3,157
Travel	8,000	8,000	6,674	(1,326)
Other contractual services	41,000	41,000	32,646	(8,354)
Inmate crew expense	1,500	1,500	2,036	536
Reserve officers expense	10,000	10,000	9,950	(50)
Office supplies	10,000	10,000	9,297	(703)
Small office equipment	3,000	3,000	2,859	(141)
Operating supplies	43,000	37,000	33,926	(3,074)
Janitorial supplies	4,000	4,000	4,182	182
Clothing and uniforms	38,000	38,000	40,736	2,736
Fire arm supplies	16,000	16,000	15,845	(155)
Other operating supplies	3,000	3,000	2,707	(293)
Gas, oil, diesel, etc.	160,500	160,500	171,191	10,691
Other supplies	8,000	8,000	8,000	-
Insurance	-	-	918	918
Traffic light camera expense	240,000	240,000	231,624	(8,376)
Noncapital expenditures	100,500	111,980	109,810	(2,170)
Capital outlay	<u>200,000</u>	<u>210,278</u>	<u>195,159</u>	<u>(15,119)</u>
	<u>\$ 6,258,921</u>	<u>\$ 6,322,622</u>	<u>\$ 6,267,567</u>	<u>\$ (55,055)</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Over (Under)</u>
Expenditures:	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Public safety:				
Fire department:				
Current:				
Salaries	\$ 3,179,548	\$ 3,211,948	\$ 3,170,227	\$ (41,721)
Employee benefits and taxes	1,098,274	1,092,254	1,031,211	(61,043)
Radio and television services	7,500	7,500	2,481	(5,019)
Printing & publications	3,250	3,250	2,221	(1,029)
Utilities	48,500	48,500	40,508	(7,992)
Physicals	6,000	6,000	2,216	(3,784)
Repairs and maintenance	72,000	72,000	61,744	(10,256)
Travel	9,000	9,000	9,856	856
Other contractual services	15,000	15,000	9,926	(5,074)
Office supplies	2,500	2,500	1,279	(1,221)
Small office equipment	1,400	1,636	1,634	(2)
Operating supplies	20,000	20,000	19,509	(491)
Janitorial supplies	8,000	8,000	6,281	(1,719)
Clothing and uniforms	36,325	36,325	14,016	(22,309)
Gas, oil, diesel, etc.	60,000	60,000	55,348	(4,652)
Miscellaneous	2,100	2,100	629	(1,471)
Noncapital expenditures	71,500	106,798	103,533	(3,265)
Capital outlay	-	-	5,500	5,500
	<u>4,640,897</u>	<u>4,702,811</u>	<u>4,538,119</u>	<u>(164,692)</u>
 Total public safety	 <u>10,899,818</u>	 <u>11,025,433</u>	 <u>10,805,686</u>	 <u>(219,747)</u>
 Engineering:				
Current:				
Salaries	315,272	315,272	307,606	(7,666)
Employee benefits and taxes	96,235	96,557	94,017	(2,540)
Printing	2,000	2,000	1,263	(737)
Licenses	3,220	3,220	3,011	(209)
Membership fees	4,000	4,000	2,420	(1,580)
Utilities	6,750	6,750	5,351	(1,399)
Street lights	300,000	300,000	288,988	(11,012)
Professional services	40,000	35,863	29,675	(6,188)
Repairs and maintenance	2,200	8,190	7,766	(424)

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CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
Expenditures:	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Engineering:				
Current:				
Other contractual services	\$ 20,000	\$ 20,000	\$ 19,341	\$ (659)
Office supplies	1,300	1,300	1,258	(42)
Operating supplies	15,000	19,011	19,167	156
Gas, oil, diesel, etc.	4,500	4,500	4,467	(33)
Permit fees	3,460	3,460	3,519	59
Miscellaneous	1,700	1,700	808	(892)
Noncapital expenditures	3,167,474	4,154,483	1,166,898	(2,987,585)
Capital outlay	167,426	167,426	167,426	-
Total engineering	<u>4,150,537</u>	<u>5,143,732</u>	<u>2,122,981</u>	<u>(3,020,751)</u>
Animal control:				
Current:				
Salaries	73,742	73,742	77,917	4,175
Employee benefits and taxes	22,254	27,254	23,038	(4,216)
Utilities	1,250	1,250	1,359	109
Repairs and maintenance	3,050	3,050	2,258	(792)
Gas, oil, diesel, etc.	8,500	10,500	11,581	1,081
Miscellaneous	1,500	1,500	864	(636)
Total animal control	<u>110,296</u>	<u>117,296</u>	<u>117,017</u>	<u>(279)</u>
Public works:				
Current:				
Salaries	117,089	117,089	117,403	314
Employee benefits and taxes	36,769	36,769	33,878	(2,891)
Utilities	1,500	1,500	760	(740)
Repairs and maintenance	1,000	1,000	423	(577)
Gas, oil, diesel, etc.	3,500	3,500	3,104	(396)
Miscellaneous	1,593	1,593	832	(761)
Noncapital expenditures	185,489	243,084	143,085	(99,999)
Capital outlay	14,511	14,511	14,511	-
Total public works	<u>\$ 361,451</u>	<u>\$ 419,046</u>	<u>\$ 313,996</u>	<u>\$ (105,050)</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
Expenditures:				
Highways and streets:				
Current:				
Salaries	\$ 731,777	\$ 731,777	\$ 627,756	\$ (104,021)
Employee benefits and taxes	253,169	253,169	224,314	(28,855)
Utilities	16,200	16,200	11,260	(4,940)
Physicals	1,000	1,000	1,176	176
Repairs and maintenance	117,500	122,500	77,143	(45,357)
Travel	800	800	575	(225)
Other contractual services	1,250	1,250	1,070	(180)
Operating supplies	3,000	3,000	2,441	(559)
Agricultural and horticultural supplies	4,000	4,000	4,061	61
Janitorial supplies	1,000	1,000	738	(262)
Clothing and uniforms	6,500	6,500	5,359	(1,141)
Other operating supplies	1,500	1,500	1,230	(270)
Gas, oil, diesel, etc.	76,000	76,000	85,683	9,683
Consumable tools	3,500	3,500	2,913	(587)
Sign parts and supplies	23,000	24,150	26,508	2,358
Demolition and mowing	5,000	5,000	2,828	(2,172)
Other supplies	1,000	1,000	1,136	136
Crushed stone	10,000	15,000	1,371	(13,629)
Salt	30,000	30,000	30,583	583
Drainage material	60,000	67,017	45,350	(21,667)
Miscellaneous	4,650	9,550	1,339	(8,211)
Total highways and streets	<u>1,350,846</u>	<u>1,373,913</u>	<u>1,154,834</u>	<u>(219,079)</u>
Vehicle maintenance:				
Current:				
Salaries	207,613	207,613	195,988	(11,625)
Employee benefits and taxes	64,872	64,872	54,367	(10,505)
Utilities	20,000	20,000	10,366	(9,634)
Repairs and maintenance	125,000	125,000	134,306	9,306
Operating supplies	1,500	1,500	1,634	134
Clothing and uniforms	1,000	1,000	760	(240)
Maintenance supplies	1,500	1,500	937	(563)
Vehicle expense	6,000	4,000	3,542	(458)
Miscellaneous	4,350	4,350	607	(3,743)
	<u>\$ 431,835</u>	<u>\$ 429,835</u>	<u>\$ 402,507</u>	<u>\$ (27,328)</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Expenditures:				
Parks and recreation				
Leisure services:				
Current:				
Salaries	\$ 357,741	\$ 357,741	\$ 349,827	\$ (7,914)
Employee benefits and taxes	72,299	73,799	81,521	7,722
Printing and publications	2,250	2,250	1,294	(956)
Utilities	1,800	1,800	1,498	(302)
Repairs and maintenance	-	-	993	993
Other contractual services	10,000	10,000	13,721	3,721
Small equipment	1,000	1,000	1,600	600
Operating supplies	55,000	55,000	31,763	(23,237)
Food	40,000	46,000	68,648	22,648
Clothing and uniforms	400	400	755	355
Miscellaneous	3,900	3,900	215	(3,685)
	<u>544,390</u>	<u>551,890</u>	<u>551,835</u>	<u>(55)</u>
Civic Center:				
Current:				
Salaries	359,588	359,588	390,012	30,424
Employee benefits and taxes	90,047	90,047	82,231	(7,816)
Postage	1,500	1,500	2,351	851
Printing and publications	4,000	4,000	5,150	1,150
Utilities	209,250	209,250	212,843	3,593
Repairs and maintenance	62,000	73,844	49,759	(24,085)
Other contractual services	100,000	115,100	147,166	32,066
Operating supplies	55,000	55,312	44,333	(10,979)
Food	30,000	30,000	26,347	(3,653)
Janitorial supplies	15,000	15,000	10,553	(4,447)
Miscellaneous	8,900	8,900	696	(8,204)
Noncapital expenditures	-	-	1,638	1,638
Capital outlay	45,000	45,000	22,604	(22,396)
	<u>\$ 980,285</u>	<u>\$ 1,007,541</u>	<u>\$ 995,683</u>	<u>\$ (11,858)</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

Expenditures:	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Parks and recreation				
Golf course:				
Current:				
Salaries	\$ 388,241	\$ 388,241	\$ 386,452	\$ (1,789)
Employee benefits and taxes	112,703	112,703	112,996	293
Printing and publications	5,300	5,300	1,423	(3,877)
Membership fees	1,250	1,250	1,890	640
Utilities	36,200	36,200	33,756	(2,444)
Physicals	100	100	637	537
Repairs and maintenance	12,000	7,000	1,094	(5,906)
Other contractual services	30,000	50	775	725
Items for resale	25,000	25,000	21,129	(3,871)
Operating supplies	20,000	20,000	20,073	73
Agricultural and horticultural supplies	55,000	55,000	62,377	7,377
Food	40,000	40,000	41,230	1,230
Recreational supplies	3,000	3,000	2,970	(30)
Clothing and uniforms	2,200	2,200	3,479	1,279
Other operating supplies	-	-	1,500	1,500
Gas, oil, diesel, etc.	22,000	22,000	23,247	1,247
Other equipment parts	25,000	25,000	24,301	(699)
Repair parts for water/sewer lines	1,000	1,000	5,801	4,801
Other repair supplies	3,000	3,000	570	(2,430)
Beer for resale	20,000	14,000	13,680	(320)
Discount credit card	10,000	10,000	10,946	946
Miscellaneous	1,950	1,950	94	(1,856)
Noncapital expenditures	45,000	59,850	56,463	(3,387)
Capital outlay	55,000	55,000	57,697	2,697
	<u>913,944</u>	<u>887,844</u>	<u>884,580</u>	<u>(3,264)</u>
Parks:				
Current:				
Salaries	685,324	685,324	687,307	1,983
Employee benefits and taxes	205,445	217,945	202,241	(15,704)
Utilities	103,500	116,800	117,210	410
Physicals	500	500	746	246
Repairs and maintenance	83,000	83,500	89,716	6,216
Other contractual services	13,000	13,000	10,632	(2,368)

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Expenditures:				<u>Over</u>
				<u>(Under)</u>
Parks and recreation				
Parks (Cont.):				
Current:				
Inmate crew meals	\$ 15,000	\$ 15,000	\$ 12,198	\$ (2,802)
Small equipment	4,500	4,500	5,591	1,091
Operating supplies	98,000	98,000	102,447	4,447
Agricultural and horticultural supplies	25,000	25,000	24,444	(556)
Food	4,000	4,000	7,429	3,429
Clothing and uniforms	2,000	2,000	1,775	(225)
Gas, oil, diesel, etc.	74,000	74,000	79,461	5,461
Miscellaneous	750	750	-	(750)
Noncapital expenditures	38,033	38,033	38,033	-
Capital outlay	89,967	201,167	125,187	(75,980)
	<u>1,442,019</u>	<u>1,579,519</u>	<u>1,504,417</u>	<u>(75,102)</u>
Total parks and recreation	<u>3,880,638</u>	<u>4,026,794</u>	<u>3,936,515</u>	<u>(90,279)</u>
 Economic development agency:				
Current:				
Salaries	131,002	131,002	120,358	(10,644)
Employee benefits and taxes	35,448	35,448	30,140	(5,308)
Printing & publications	29,250	29,250	27,150	(2,100)
Membership fees	11,000	18,000	17,335	(665)
Public relations	28,000	28,000	17,535	(10,465)
Utilities	4,250	4,250	3,304	(946)
Repairs and maintenance	1,350	1,350	1,950	600
Professional services	2,500	2,500	1,145	(1,355)
Travel	12,500	12,500	7,038	(5,462)
Sundry	300	300	18,804	18,504
Office supplies	1,600	1,600	829	(771)
Gas, oil, diesel, etc.	5,625	5,625	2,786	(2,839)
Foreign trade zone development	6,000	6,000	1,451	(4,549)
Forward Sumner	8,000	5,000	4,000	(1,000)
Miscellaneous	1,100	1,100	530	(570)
Capital outlay	5,000	5,000	-	(5,000)
	<u>\$ 282,925</u>	<u>\$ 286,925</u>	<u>\$ 254,355</u>	<u>\$ (32,570)</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts			Variance with Final Budget Over (Under)
Expenditures:	Original	Final	Actual	
Debt service:				
Principal	\$ 800,000	\$ 800,000	\$ 800,000	\$ -
Interest	467,745	467,745	458,795	(8,950)
	<u>1,267,745</u>	<u>1,267,745</u>	<u>1,258,795</u>	<u>(8,950)</u>
 Total expenditures	 <u>26,774,025</u>	 <u>28,782,158</u>	 <u>24,835,879</u>	 <u>(3,946,279)</u>
 Excess (deficiency) of revenues over (under) expenditures	 (1,927,745)	 (3,579,352)	 1,575,045	 5,154,397
 Other financing sources (uses)				
In lieu of tax payments - utility	1,333,900	1,333,900	987,430	(346,470)
Transfers in	-	-	600,000	600,000
Transfers out	(452,335)	(1,491,332)	(1,394,252)	97,080
Total other financing sources (uses)	<u>881,565</u>	<u>(157,432)</u>	<u>193,178</u>	<u>350,610</u>
 Net changes in fund balances	 <u>\$ (1,046,180)</u>	 <u>\$ (3,736,784)</u>	 1,768,223	 <u>\$ 5,505,007</u>
 Fund balance - beginning			6,905,217	
 Prior period adjustment			<u>(268,505)</u>	
 Fund balance - beginning - restated			<u>6,636,712</u>	
 Fund balance - ending			<u>\$ 8,404,935</u>	
 Reconciliation to fund financial statements:				
Excess (deficiency) of revenues over (under) expenditures - budgetary			\$ 1,768,223	
Revenues and expenditures not included in budgetary statements:				
Environmental services revenues			1,191,863	
Environmental services expenditures			(1,701,899)	
Other financing sources (uses)			355,255	
Excess of revenues over expenditures - budgetary (page 16)			<u>\$ 1,613,442</u>	
 Fund balance - budgetary			\$ 8,404,935	
Assets related to industrial park fund			59,066	
Assets related to environmental services fund			82,055	
Liabilities related to environmental services fund			<u>(245,919)</u>	
Fund balance - (page 14)			<u>\$ 8,300,137</u>	

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Gallatin, Tennessee (City), operates under a Mayor-Alderman form of government and provides the following services as authorized by its charter: public safety (police and fire), street maintenance, cemetery maintenance, sanitation collection and disposal, recreation, library, water and sewer, electricity, gas, education, and general administrative services. As required by generally accepted accounting principles, these financial statements present all funds, which comprise the City.

Related organizations

The City's officials are also responsible for appointing the members of the Board of Gallatin Housing Authority, but the City's accountability for this organization does not extend beyond making the appointments. The Board of the Authority is appointed by the Mayor, but the city does not provide funding, has no obligation for the debt issued by the Authority, and cannot impose its will upon the operations of the Authority. Accordingly, the Authority has not been included in the reporting entity.

Joint venture

The City is a participant in the Sumner County Resource Authority, a joint venture, in which it retains an ongoing financial interest. The Authority is a joint venture of Sumner County and the Cities of Gallatin and Hendersonville and operates a solid waste energy recovery plant. The City has no equity interest in the Resource Authority. Complete financial statements of the Authority are available from the City Finance Director.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, gross receipt taxes, sales taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund also includes the accounting for all solid waste revenues and expenditures.

The City reports the following major proprietary funds:

The electric fund accounts for the activities of the government's electric distribution operations.

The water and sewer fund accounts for the activities associated with the water distribution system, the sewage treatment plant, sewage pumping stations and collection system.

The gas fund accounts for the activities of the government's gas distribution operations.

The financial statements of the City are prepared in accordance with generally accepted accounting principles. The City's reporting entity applies all relevant *Governmental Accounting Standards Board* (GASB) pronouncements and applicable *Financial Accounting Standards Board* (FASB) pronouncements and *Accounting Principle Board* (APB) opinions issued on or before November 30, 1989 unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements issued after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utility divisions and various other functions of the government.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the electric and the water and sewer funds are charges for sales to customers for sales and service. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition. State statutes authorize the City to invest in certificates of deposit, obligations of the U.S. Treasury agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements, and the state's investment pool.

Investments for the City are reported at fair value. The State Local Government Investment Pool is operated in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Property tax receivables are shown net of an allowance for uncollectibles. The allowance is recorded based on the past history of collections. Court fines receivable are also shown net of an allowance for uncollectibles. The allowance is recorded based on management's estimate of what portion of the outstanding receivable will be collected in the future.

The allowances for uncollectible customer accounts recorded in the proprietary funds are based on past history of uncollectible accounts and management's analysis of current accounts.

Property taxes are levied annually on January 1. The taxes are due and payable from the following October through February in the year succeeding the tax levy. An unperfected lien attaches by statute to property on March 1 for unpaid taxes from the prior year's levy. Taxes uncollected by April 1, the year after due may be submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Inventories and Prepaid Items

Inventories of the Water, Sewer, and Gas Funds are valued at the lower cost or market using a weighted-average flow assumption. Inventory of the Electric system is stated at average cost as determined by the moving average inventory method. Inventory of the General fund consists of expendable supplies held for consumption. Governmental fund inventories are recorded at cost under the consumption method.

Restricted Assets

The City elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

Capital Assets

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. All land, construction in progress, and works of art will be included. The electric, water and sewer, and gas divisions use a threshold of \$500 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the City are depreciated using the straight line method over the following useful lives:

Buildings and improvements	25 - 50 years
Distribution systems	10 - 50 years
Machinery, equipment, and vehicles	3 - 10 years
Furniture and fixtures	3 - 10 years
Infrastructure	50 years

Deferred Revenue

Deferred revenue represents amounts that were receivable and measurable at June 30, 2012, but were not available to finance expenditures for the year ended June 30, 2012. Deferred revenues primarily include unearned or unavailable revenues.

Compensated Absences

Vacation pay is accumulated at the rate of one week after the first year of employment and two weeks a year for every year until eleven, then one day is added for each year up to a maximum of 20 days (30 days for Electric fund).

Sick leave is accumulated at the rate of one day per month (10 days per year for the Electric fund). At retirement, an employee will be paid accumulated sick leave ranging from 20-50% based on either their age or years of service on effective date of retirement.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

As prescribed by GASB Statement No.54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable fund balance

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes terms that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

Committed fund balance

This classification includes amounts that can only be used for the specific purposes determined by the City's highest level of decision-making authority, (the City Council) and the highest form of authority (ordinances). Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: ordinance). The ordinance must be either approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. If the actual amount of the commitment is not available by June 30th, the ordinance must state the process of formula necessary to calculate the actual amount as soon as information is available.

Assigned fund balance

This classification includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. The City Council and its designee, the Finance Director, have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except for the general fund and also negative amounts) that are not classified as nonspendable, restricted, or committed. Any funds assigned must be reported to the Council at the next regular meeting and recorded in the minutes. Council has the authority to assign funds or to remove or change the assignments of the Finance Director with a

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

simple majority vote. Upon passage of a budget ordinance where fund balance is used as a source to balance the budget, the Finance Director shall record the amount as assigned fund balance.

Unassigned fund balance

This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

The City will maintain a minimum unassigned fund balance in the general fund equivalent to 20% of that fiscal year's operating expenses, excluding any capital purchases. The minimum unassigned fund balance is established to protect against cash flow shortfalls related to timing of project revenue receipts and to maintain a budget stabilization commitment. In any fiscal year, it shall take the affirmative action of five or more City Council members to approve an appropriation of funds that results in the minimum unassigned general fund balance to drop below 20%. In the event the balance drops below the minimum level, the City Council will develop a plan to replenish the fund balance to the minimum level within two years. The deficiency will be funded by reducing recurring expenditures, by increasing revenues or pursuing other funding sources, or by a combination of the two.

Net Assets

Restricted net assets are net assets less related liabilities reported in the government-wide statement of net assets that have limitation imposed on their use through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, contributors, legislation, or the other governments.

Net Assets Invested in Capital Assets Net of Related Debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$11,800,580 difference are as follows:

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Bonds payable	\$ 7,960,000
Notes payable	2,810,000
Unamortized debt expenses	(14,770)
Compensated absences payable	<u>1,045,350</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 11,800,580</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period." The details of this (\$147,928) difference are as follows:

Capital outlay	\$ 1,708,556
Depreciation expense	<u>(1,856,484)</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (147,928)</u>

Another element of that reconciliation states that "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$773,577 difference are as follows:

Change in deferred property taxes	\$ 722,630
Change in deferred grant revenue	<u>50,947</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 773,577</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds excluding the capital projects funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to year end, the Director of Finance and Mayor submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearing are conducted to obtain taxpayer comments on the budget.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. The Department Heads are authorized to transfer budgeted amounts within their departments; however, any revisions that alter the total expenditures of any department function or fund must be approved by the City Council.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

5. Formal budgetary integration is employed as a management control device during the year for all funds excluding the Electric Fund.
6. Budgeted amounts are as originally adopted, or as amended by the City Council. Budget appropriations lapse at year end.

As an extension of the formal budgetary process, the City Council may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. The City's policy is to not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the Council.

Under TCA 68-211-874, the City is required to account for its solid waste collection activities in a separate fund. The City accounts for these activities in a separate environmental services fund which does not qualify as a special revenue fund under generally accepted accounting principles. Accordingly, for fund reporting the environmental services fund is included as a part of the general fund, but for budgetary reporting is not included as a part of the general fund. Page 36 includes a reconciliation of the general fund budgetary reporting to the general fund reporting on page 14 under generally accepted accounting principles.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of June 30, 2012, the City of Gallatin, Tennessee's Electric Department had \$5,019,414 invested in certificates of deposit with local financial institutions. As of June 30, 2012, the cemetery trust fund had unrated stock investments with no maturity.

Interest Rate Risk

In accordance with its formal investment policy, the City manages its exposure to declines in fair values by limiting its investments to certificates of deposit with local financial institutions.

Custodial Credit Risk

The City's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statute required that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance, by the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the City to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2012, all bank deposits were fully collateralized or insured.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

B. Receivables

Receivables as of the year end for the government's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Electric Division</u>	<u>Water & Sewer Division</u>	<u>Gas Division</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Property taxes	\$ 10,238,390	\$ -	\$ -	\$ -	\$ -	\$ 10,238,390
Interest	310,973	-	-	-	2,221	313,194
Accounts	559,485	7,047,333	1,308,675	818,813	-	9,734,306
Fines	2,006,911	-	-	-	-	2,006,911
Grants	421,547	-	-	-	60,206	481,753
Intergovernmental	2,488,491	-	-	-	-	2,488,491
Other	1,319	-	12,336	7,616	217,479	238,750
Gross receivables	16,027,116	7,047,333	1,321,011	826,429	279,906	25,501,795
Less: Allowance for uncollectibles	(2,133,801)	-	(145,159)	(77,646)	-	(2,356,606)
Net total receivables	\$ 13,893,315	\$ 7,047,333	\$ 1,175,852	\$ 748,783	\$ 279,906	\$ 23,145,189

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 722,630	\$ -
2012 property tax assessment	-	9,436,454
Grants	50,948	100,000
Court fines receivable	60,665	-
Drug fund revenue held	-	91,449
Other receipts	-	29,598
Total deferred revenue for fund financial statements	\$ 834,243	\$ 9,657,501

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

C. Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 11,193,562	\$ (203,571)	\$ -	\$ -	\$ 10,989,991
Construction in progress	<u>1,944,458</u>	<u>(1,944,458)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>13,138,020</u>	<u>(2,148,029)</u>	<u>-</u>	<u>-</u>	<u>10,989,991</u>
Capital assets being depreciated:					
Buildings	9,664,684	3,303,760	369,471	-	13,337,915
Improvements other than buildings	45,769,733	(8,381,649)	876,627	-	38,264,711
Vehicles	8,834,260	(293,275)	356,961	-	8,897,946
Equipment	<u>6,050,582</u>	<u>(2,157,582)</u>	<u>105,497</u>	<u>-</u>	<u>3,998,497</u>
Total capital assets being depreciated	<u>70,319,259</u>	<u>(7,528,746)</u>	<u>1,708,556</u>	<u>-</u>	<u>64,499,069</u>
Less accumulated depreciation for:					
Buildings and improvements	5,358,365	(1,257,617)	379,503	-	4,480,251
Improvements other than buildings	7,467,146	120,722	746,495	-	8,334,363
Vehicles	7,265,165	(753,751)	383,316	-	6,894,730
Equipment	<u>5,449,040</u>	<u>(2,933,649)</u>	<u>347,170</u>	<u>-</u>	<u>2,862,561</u>
Total accumulated depreciation	<u>25,539,716</u>	<u>(4,824,295)</u>	<u>1,856,484</u>	<u>-</u>	<u>22,571,905</u>
Total capital assets being depreciated, net	<u>44,779,543</u>	<u>(2,704,451)</u>	<u>(147,928)</u>	<u>-</u>	<u>41,927,164</u>
Governmental activities capital assets, net	<u>\$ 57,917,563</u>	<u>\$ (4,852,480)</u>	<u>\$ (147,928)</u>	<u>\$ -</u>	<u>\$ 52,917,155</u>

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 3,436,426	\$ (1,071,091)	\$ 47,700	\$ -	\$ 2,413,035
	-	-	-	-	-
Water usage rights	54,000	(54,000)	-	-	-
Construction in progress	<u>3,311,572</u>	<u>(3,230,453)</u>	<u>95,270</u>	-	<u>176,389</u>
Total capital assets, not being depreciated	<u>6,801,998</u>	<u>(4,355,544)</u>	<u>142,970</u>	-	<u>2,589,424</u>
Capital assets being depreciated:					
General plant	-	-	-	-	-
Transmission plant	-	581,172	1,718	-	582,890
Distribution plant	153,811,065	(1,382)	3,044,891	188,758	156,665,832
General plant	-	1,816,902	545,506	78,641	2,283,769
Buildings	27,945,745	3,228,600	5,766,053	-	36,940,398
Operating equipment	4,490,337	(2,657,191)	243,713	-	2,076,859
Rolling stock	-	1,623,480	210,217	-	1,833,697
Office furniture and equipment	<u>1,313,958</u>	<u>(737,950)</u>	<u>9,994</u>	-	<u>586,002</u>
Total capital assets being depreciated	<u>187,561,105</u>	<u>3,853,631</u>	<u>9,822,092</u>	<u>267,399</u>	<u>200,969,427</u>
Less accumulated depreciation for:					
General plant	-	-	-	-	-
Transmission plant	-	461,829	12,699	-	474,528
Distribution plant	57,467,116	(644,823)	4,199,020	256,576	60,764,739
General plant	-	1,622,984	102,680	36,460	1,689,204
Buildings	2,079,049	(437,687)	621,044	-	2,262,406
Operating equipment	3,510,630	(2,153,861)	360,912	-	1,717,681
Rolling stock	-	1,052,247	39,712	-	1,091,959
Office furniture and equipment	<u>1,210,423</u>	<u>(773,759)</u>	<u>34,049</u>	-	<u>470,713</u>
Total accumulated depreciation	<u>64,267,218</u>	<u>(873,070)</u>	<u>5,370,116</u>	<u>293,036</u>	<u>68,471,222</u>
Total capital assets being depreciated, net	<u>123,293,887</u>	<u>4,726,701</u>	<u>4,451,976</u>	<u>(25,637)</u>	<u>132,498,205</u>
Business-type activities capital assets, net	<u>\$ 130,095,885</u>	<u>\$ 371,157</u>	<u>\$ 4,594,946</u>	<u>\$ (25,637)</u>	<u>\$ 135,087,629</u>
Total capital assets, net	<u>\$ 188,013,448</u>	<u>\$ (4,481,323)</u>	<u>\$ 4,447,018</u>	<u>\$ (25,637)</u>	<u>\$ 188,004,786</u>

Acquisition adjustments – Acquisition adjustments represent the excess of purchase prices over depreciated cost of additions to the electric plant acquired from others. The acquisition adjustments are being amortized against income on a straight line basis as determined by the Tennessee Valley Authority. The total cost was \$2,291,147 with current year amortization of \$235,490 and total accumulated amortization of \$1,030,195.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 310,085
Public safety	361,893
Engineering	22,548
Environmental services	110,902
Animal control	2,379
Public works	623,367
Highways and streets	79,734
Vehicle maintenance	2,339
Parks and recreation	343,237
Total depreciation expense - governmental activities	<u>\$ 1,856,484</u>
Business-type activities:	
Electric	\$ 1,228,203
Water and sewer	3,428,184
Gas	660,552
Electric charged to other accounts	53,177
Total depreciation expense - business-type activities	<u>\$ 5,370,116</u>

D. Interfund Receivables, Payables, and Transfers

All interfund balances are expected to be repaid within the next fiscal year and are considered ordinary in nature. The composition of interfund balances as of June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and Sewer Fund	General Fund	\$ 207,557
Water and Sewer Fund	Gas Fund	114,697
General Fund	Gas Fund	(21,014)
Environmental Services Fund	Gas Fund	(2,530)
Gas Fund	Water and Sewer Fund	523,403
Total		822,113
Governmental fund activities eliminated		-
Business-type activities eliminated		(638,100)
Total government-wide		<u>\$ 184,013</u>

The purposes of the interfund liabilities are noted below:

- The balance between the water and sewer fund and the general fund is for interfund goods and services and reimbursable expenses that were not cleared at year end.
- The balance between the water and sewer fund and the gas fund is for interfund goods and services and reimbursable expenses that were not cleared at year end.
- The balance between the general fund and the gas fund is for interfund goods and services and reimbursable expenses that were not cleared at year end.
- The balance between the sanitation fund and the gas fund is for interfund goods and services and reimbursable expenses that were not cleared at year end.
- The balance between the gas fund and the water and sewer fund is for ongoing construction projects.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

The following is a summary of transfers during the year ended June 30, 2012:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 600,000
Electric Fund	General Fund	600,027
Water and Sewer Fund	General Fund	119,206
Gas Fund	General Fund	268,197
General Fund	GF / Environmental Services Fund	355,255
General Fund	Capital Projects Fund	<u>1,038,997</u>
Total		2,981,682
Governmental fund activities eliminated		<u>(1,994,252)</u>
Total government-wide		<u>\$ 987,430</u>

The purposes of the transfers are noted below:

- The transfers between the capital projects fund and the general fund are for the purpose of covering capital expenses that were made out of the general fund from revenue streams recognized in the capital projects fund.
- The transfers between the proprietary funds and the general fund are for the purpose of transferring in lieu of tax payments
- The transfers between the general fund and the environment services fund are to transfer tax collections that are used to fund sanitation pick up services.
- The transfers between the general fund and the capital projects fund is to use revenues recognized in the general fund to partially fund ongoing capital projects.

E. Long-term Debt

General long-term debt at June 30, 2012, is comprised of the following:

Bonds Payable

General Obligation Refunding Bonds, Series 2004, due in annual installments from \$335,000 to \$350,000 through August 2014, interest at 2.75% to 3.20%	\$ 1,030,000
General Obligation Improvement Bonds, Series 2007, due in annual installments from \$130,000 to \$665,000 through January 2027, interest at 4.00% to 5.00%	<u>6,930,000</u>
Total Bonds Payable	<u>7,960,000</u>

Notes Payable

Capital Outlay Note, Series 2008, due in annual installments From \$355,000 to \$460,000, through January 2019 plus interest at 3.75% to 4.625%	<u>2,810,000</u>
Total general long-term debt	<u><u>\$ 10,770,000</u></u>

The aforementioned bonds and notes are secured by the full faith and credit of the City. During 2012, debt service for the aforementioned debt was provided by the City General Fund.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Long-term debt of the proprietary funds at June 30, 2012, is comprised of the following:

Notes Payable

Note with Cumberland Electric Membership Coop for additions to electric plant	\$ 744,902
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TVA Winterization Contracts

Loans from TVA for home weatherization loans made by the Electric Department to customers, paid annually over a 10 year period, at interest of 6.0% to 8.0%	451,468
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Bonds Payable

Water and Sewer Revenue and Tax Bonds, Series 2003, due in annual installments of \$230,000 through January 2013	230,000
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Water and Sewer Revenue and Tax Bonds, Series 2004, due in annual installments from \$285,000 to \$310,000 through August 2017, interest at 2.75% to 3.50%	1,785,000
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Water and Sewer Revenue Bonds, Series 2008, due in annual installments from \$675,000 to \$1,830,000 through August 2033, interest at 3.50% to 5.00%	24,735,000
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Water and Sewer Revenue Refunding and Improvement Bonds, Series 2011, due in annual installments from \$25,000 to \$635,000 through July 2032, interest at 2.00% to 3.625%	<u>8,930,000</u>
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Total proprietary long-term debt	<u>\$ 36,876,370</u>
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The aforementioned notes are secured by the full faith and credit of the City. During 2012, debt service for the aforementioned debt was provided solely by the City's Proprietary Funds.

The annual requirements, by type of issue, to amortize all long-term debt outstanding except accrued annual leave at June 30, 2012, are as follows:

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Year Ending June 30,	Electric Department		Notes		Bonds		Total	
	Notes and Contracts							
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 174,048	\$ 26,492	\$ 355,000	\$ 116,106	\$ 1,945,000	\$ 1,798,769	\$ 2,474,048	\$ 1,941,367
2014	176,803	23,154	365,000	102,794	1,775,000	1,746,118	2,316,803	1,872,066
2015	178,776	19,693	380,000	89,106	1,850,000	1,689,832	2,408,776	1,798,631
2016	180,193	16,104	400,000	73,906	1,795,000	1,629,470	2,375,193	1,719,480
2017	180,274	12,494	415,000	56,906	1,865,000	1,559,817	2,460,274	1,629,217
2018-2022	306,276	36,534	895,000	61,581	9,905,000	6,676,372	11,106,276	6,774,487
2023-2027	-	-	-	-	11,790,000	4,526,187	11,790,000	4,526,187
2028-2032	-	-	-	-	10,885,000	2,002,552	10,885,000	2,002,552
2033	-	-	-	-	1,830,000	91,500	1,830,000	91,500
	\$ 1,196,370	\$ 134,471	\$ 2,810,000	\$ 500,399	\$ 43,640,000	\$ 21,720,617	\$ 47,646,370	\$ 22,355,487

Debt expense associated with the above bond issues was recorded as other assets and is being amortized on a straight-line basis over the life of the issue.

All significant debt covenants and restrictions as set forth in the bond agreements were complied with.

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Adjustments	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:						
Notes payable	\$ 3,150,000	\$ -	\$ -	\$ 340,000	\$ 2,810,000	\$ 355,000
Revenue and tax bonds	8,420,000	-	-	460,000	7,960,000	480,000
Premium on bond issue	-	97,195	-	8,417	88,778	8,417
Compensated absences	1,023,617	-	21,733	-	1,045,350	-
	\$ 12,593,617	\$ 97,195	\$ 21,733	\$ 808,417	\$ 11,904,128	\$ 843,417
Business-type activities:						
Notes payable	\$ 869,052	\$ -	\$ -	\$ 124,150	\$ 744,902	\$ 124,150
TVA winterization contract	381,264	-	70,204	-	451,468	49,898
Revenue and tax bonds	31,125,000	-	8,955,000	4,400,000	35,680,000	1,465,000
Premium on bond issue	332,208	191,861	4,013	24,474	503,608	21,387
OPEB liability	32,046	-	8,521	-	40,567	-
Compensated absences	686,978	-	44,311	-	731,289	120,000
	\$ 33,426,548	\$ 191,861	\$ 9,082,049	\$ 4,548,624	\$ 38,151,834	\$ 1,780,435

Industrial Development Bonds

The City, through its Industrial Development Board, has in the past authorized issuance of various Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and payable solely from payments received on the underlying mortgage loans. Neither the City, State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Advance Refunding of Bonds

In prior years the City has defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service requirement on the retired bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2012, outstanding bonds considered as defeased were as follows:

Sewer and Water Revenue and Tax Bonds – Series 1997 (2004)	\$ 2,425,000
General Obligation Bonds – Series 1997 (2004)	\$ 1,655,000
Water and Sewer Revenue and Tax Bonds (2012)	\$ 3,190,000

NOTE 5 - OTHER INFORMATION

A. Risk Management

City of Gallatin

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for certain general liability, auto liability, errors and omissions, workers' compensation, and physical damage coverage. The City joined the Tennessee Municipal League Risk Pool (Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The City pays annual premiums to the Pool for its general, auto, and errors and omissions policies. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The City's premiums are calculated based on its prior claim history. It is the policy of the City to purchase commercial insurance for the risk of employee dishonesty and law enforcement professional liability. Settled claims have not exceeded the commercial coverage or the coverage provided by the Pool in any of the past three years.

Gallatin Department of Electricity

Gallatin Electric Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2012, the Utility purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage.

B. Commitments

The City purchases natural gas under various contracts requiring the purchase of minimum quantities of natural gas from suppliers at costs based upon national index prices. Natural gas purchases exceeding the specified minimum quantities are made at the going market value. City management believes any risk associated with the minimum purchase quantities as specified in the aforementioned contracts to be minimal. Further, the City is committed under various natural gas transportation agreements requiring specified minimum transmission capacities.

The Gallatin Department of Electricity purchased discounted energy units from the Tennessee Valley Authority (TVA) during 2003 whereby they would prepay a portion of the price of a block of kilowatt hour yet to be supplied by TVA. The discounted energy units are being recognized on a straight-line method over ten years. As of June 30, 2012, the unamortized balance is \$50,000, net of interest.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

The City has entered into an agreement with the Sumner County Resource Authority (the Authority), a joint venture between the City, Sumner County, and the City of Hendersonville, TN, which provides that in the event the Authority's revenues are insufficient to cover the costs of operation and debt retirement the County and Cities shall pay such deficit in the proportions of 3/7, 2/7, and 2/7, respectively. These same entities have executed a "contract in Lieu of Performance Bond" with the State of Tennessee for financial assurance of the closure and post closure costs of the landfill should the Authority be unable to do so.

The authority operates primarily as a solid waste transfer station. The City utilizes the Authority for solid waste disposal purposes at essentially the same cost per ton as in prior years. There is uncertainty as to the future operations of the Authority, as well as, the costs relative to the change in operations, or possible dissolution.

The Authority as of June 30, 2012, has net assets invested in capital assets (net of related debt) in the amount of \$2,194,229 and an unrestricted net deficit of (\$585,424) as compared to \$2,335,294 and (\$766,090) for the year 2011. During 2012, the City provided deficit funding in the amount of \$0 and paid the Resource Authority \$518,038 in tipping fees. Deficit funding and tipping fees amounted to \$0 and \$457,383, respectively for 2011.

C. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time; although, the City's management expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits; however, the outcome of these lawsuits is not presently determinable, although, legal counsel does not expect any possible liability to exceed the City's limits of insurance.

D. Power Contract

The Utility has a power contract with the Tennessee Valley Authority (TVA); whereby, the electric system purchases all its electric power from TVA and is subject to certain restrictions and conditions as provided for in the power contract. Such restrictions include, but are not limited to, prohibitions against furnishings, advancing, lending, pledging, or otherwise diverting System funds, revenues, or property to other operations of the county and the purchase or payment of or providing security for indebtedness on other obligations applicable to such other operations.

E. Employee Retirement Systems and Pension Plans

City of Gallatin

Plan description

The City (exclusive of the electric utility) administers an IRC Section 401K plan (the plan) with a Roth option. Employees of the City's Municipal Service departments, Water and Sewer Utility Fund, and Natural Gas Utility Fund are eligible to participate in the Plan. The Plan assets are not held by the City and the City does not exercise a trustee responsibility over such assets nor does the City actively participate in the Plan's management or administration, which is delegated to the City of

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Gallatin Pension Committee. The Pension Committee has designated MetLife as a third-party administrator. Accordingly, the City does not meet the criteria necessary for presentation of the Plan as a fiduciary fund of the City.

Funding policy

The City's Plan allows employees to make tax deferred contributions into self-directed investments of as much as allowable under the Internal Revenue Code. During the fiscal year, the City contributed 5% of the employee's annual compensation and matched up to an additional 4% of the employee's contribution.

Annual pension cost

The City's maximum contribution to the Plan is defined as up to 9% of an eligible employee's annual compensation. The City contributed \$1,211,306 on behalf of the employees during calendar year 2011.

Gallatin Department of Electricity

Plan description

The Gallatin Department of Electricity Employee's Pension Plan is a single-employer defined benefit pension plan administered by the Gallatin Electric Power Board. The Electric Plan provides retirement, disability, and death benefits to the Electric Plan members and their beneficiaries. The Electric Plan covers substantially all Department employees. The authority to establish and amend benefit provisions of the Electric Plan is assigned to the Gallatin Electric Power Board. The Electric Plan issues a separate financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Acuff & Associates, 210 Westwood Place, Suite 100, Brentwood, TN 37027 or by calling 1-615-726-2410.

Funding policy

The contribution requirements of the Electric Plan members and the department are established and may be amended by the Gallatin Electric Power Board. Electric Plan members are required to contribute 3% of their annual covered salary. The Department is required to contribute at an actuarially determined rate. The current rate is 13.82% of annual covered payroll.

Annual pension cost

The Electric Department's annual pension cost for the year ending June 30, 2012, was \$276,205, which was equal to the Department's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the aggregate cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7 percent a year compounded annually, (b) projected salary increases of 4 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation of salaries), and (c) projected 1.5 percent cost of living adjustments. The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. The unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on a closed basis. The remaining amortization period at July 1, 2011 was 30 years.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 276,205	100.00%	\$ -
6/30/2011	269,919	100.00%	-
6/30/2010	216,100	100.00%	-

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 87.5% percent funded. The actuarial accrued liability for benefits was \$6.35 million, and the actuarial value of assets was \$5.56 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$791 thousand. The covered payroll (annual payroll of active employees covered by the plan) was \$1.99 million, and the ratio of the UAAL to the covered payroll was 39.7 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

F. Other Post Employment Benefits

Gallatin Department of Electricity

Plan Description

The Electric Fund Post Retirement Medical Plan ("PRMP is a single employer defined benefit plan administered by the department). The Plan provides supplemental health insurance premium reimbursements to eligible retirees. The criteria to determine eligibility includes years of services and employee age at date of retirement. Eligible retirees may receive up to \$150 per month for reimbursement of their supplemental health insurance premiums. Authority to establish and amend this benefit provision is assigned to the Gallatin Electric Power Board. The PRMP issues a separate financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Acuff & Associates, 210 Westwood Place, Suite 100, Brentwood, TN 37027 or by calling 1-615-726-2410.

Funding Policy

The PRMP funds the benefits on a pay-as-you-go basis. The contribution requirements of the Department are established and may be amended by the Gallatin Electric Power Board. The actuarial required contribution for the year was \$25,412 and the actual amount contributed was \$18,421.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Annual Cost

For 2012, the Electric Department's annual cost of \$18,241 was less than the Department's actuarial required contribution of \$25,412. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 3.0% interest per year, compounded annually, net of expenses (b) all employees will retire at age 65. The current ARC rate is 1.27 percent of annual covered payroll.

Trend Information

Year End	Annual Pension Cost	% of Annual APC Cost Contributed	net Pension
			Obligation at Year End
6/30/2012	\$ 25,412	71.80%	\$ 40,567
6/30/2011	23,663	47.10%	33,396
6/30/2010	23,663	39.50%	14,312

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 0.00% percent funded. The actuarial accrued liability for benefits was \$323 thousand, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$323 thousand. The covered payroll (annual payroll of active employees covered by the plan) was \$1.99 million, and the ratio of the UAAL to the covered payroll was 16.2 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

G. Prior Period Adjustment

The following prior period adjustments were made to each fund during the year:

General Fund

To remove old payables from the books	\$ (126,891)
To correct prior year deferred revenue on property taxes	166,081
To correct prior year accrued payroll balance	(417,729)
To correct prior year receivables	60,255
To correct prior year central depository entry	427,176
To correct prior year deferred revenue	(377,397)
To remove old payables from the books - Environmental Services	(15,702)
To correct prior year uncollectible receivable balances - Environmental Services	(16,662)
	<u>\$ (300,869)</u>

Special Services Fund

To correct prior period surety bonds held	\$ 12,200
To correct prior year central depository entry	(116,097)
	<u>\$ (103,897)</u>

Drug Fund

To correct prior year central depository entry	\$ 212,862
	<u>\$ 212,862</u>

Water Fund

To remove old payables from the books	\$ 294,713
To correct prior year unamortized bond costs and premiums	(16,515)
To correct prior year capital asset balances	857,168
To correct prior year uncollectible receivable balances	(71,677)
To correct prior year central depository entry	(522,052)
To correct prior year receivables	34,018
	<u>\$ 575,655</u>

Gas Fund

To remove old payables from the books	\$ (7,207)
To correct prior year uncollectible receivable balances	(46,996)
To correct prior year capital asset balances	(486,011)
	<u>\$ (540,214)</u>

Governmental Activities

Total governmental fund entries	\$ (191,904)
Additional government wide entries:	
To correct prior year receivable entry	(760,491)
To correct prior year unamortized bond costs	155,206
To correct prior year capital asset balances	(4,852,480)
	<u>\$ (5,649,669)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GALLATIN, TENNESSEE
SCHEDULES OF FUNDING PROGRESS - EMPLOYEE RETIREMENT SYSTEM
June 30, 2012

Electric Department - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	\$ 5,556,361	\$ 6,346,976	\$ 790,615	88.00%	\$ 1,989,357	40.00%
7/1/2009	4,725,035	5,310,592	585,557	89.00%	1,807,742	32.00%
7/1/2007	4,468,165	4,634,483	166,318	96.00%	1,272,267	13.00%
7/1/2005	3,908,037	3,819,632	(88,405)	102.00%	1,201,722	-7.00%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; and, therefore only the most current year is presented.

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULES OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS
June 30, 2012

Electric Department - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	\$ -	\$ 323,339	\$ 323,339	0%	\$ 1,998,592	16.20%
7/1/2008	-	309,700	309,700	0%	1,357,271	22.80%

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION SECTION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Special Revenue Funds account for specific revenues that are legally restricted to expenditure purposes. The Special Revenue Funds are:

Special Services Fund – To account for sex offender registry payments that are used for specific purposes and private donations to be used for the “Shop with a Cop” Christmas program.

Drug Fund - To account for the resources used for the operation of drug enforcement activities by the City.

CAPITAL PROJECT FUNDS:

Capital Project Funds account for capital projects within the City. The Capital Projects Funds are:

Capital Projects 2007 G.O. Bond Fund - To account for specific grant revenue and related capital projects.

Capital Projects – To account for large capital projects that are funded with bond proceeds.

PERMANENT FUNDS:

Permanent Funds account for specific revenues for which the corpus of the donation are restricted by external donors. The Permanent Funds are:

Thomas Witherspoon Fund – To account for a donation that was received to make loans to graduating seniors to be used for college.

Cemetery Trust Fund - To account for donations that were received to maintain the cemetery in perpetuity.

CITY OF GALLATIN, TENNESSEE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2012

Assets	Special Revenue Funds		Capital Projects Funds				Permanent Funds		Totals
	Special Services	Drug	Capital Projects		Capital Projects	Thomas Witherspoon	Cemetery Trust		
			2007 G.O. Bond	Projects					
Cash and cash equivalents	\$ 427,513	\$ 73,397	\$ -	\$ 2,050,450	\$ -	\$ 150,998	\$ 477	\$ 2,702,835	
Investments	-	-	-	-	-	-	21,025	21,025	
Interest receivable	-	-	-	-	-	2,221	-	2,221	
Intergovernmental receivables - grants	-	-	60,206	-	-	-	-	60,206	
Other receivables	-	-	-	-	-	217,479	-	217,479	
Total assets	\$ 427,513	\$ 73,397	\$ 60,206	\$ 2,050,450	\$ -	\$ 370,698	\$ 21,502	\$ 3,003,766	
Liabilities and fund balances									
Liabilities									
Checks written against future deposits	\$ -	\$ -	104,635	\$ -	\$ -	-	-	104,635	
Accounts payable	-	-	11,124	22,369	-	-	-	33,493	
Deferred revenue - evidence funds	91,449	-	-	-	-	-	-	91,449	
Deferred revenue - grants	-	-	8,900	-	-	-	-	8,900	
Performance deposits	295,325	-	-	-	-	-	-	295,325	
Total liabilities	386,774	-	124,659	22,369	-	-	-	533,802	
Fund balances									
Nonspendable:									
Funds held in trust	-	-	-	-	-	15,000	-	15,000	
Restricted:									
Funds held in trust	-	-	-	-	-	355,698	-	355,698	
Police special projects	26,627	-	-	-	-	-	-	26,627	
Drug enforcement	-	73,397	-	-	-	-	-	73,397	
Assigned for:									
Capital projects	-	-	-	2,028,081	-	-	-	2,028,081	
Police special projects	14,112	-	-	-	-	-	-	14,112	
Cemetery use	-	-	-	-	-	-	21,502	21,502	
Unassigned	-	-	(64,453)	-	-	-	-	(64,453)	
Total fund balances	40,739	73,397	(64,453)	2,028,081	-	370,698	21,502	2,469,964	
Total liabilities and fund balances	\$ 427,513	\$ 73,397	\$ 60,206	\$ 2,050,450	\$ -	\$ 370,698	\$ 21,502	\$ 3,003,766	

CITY OF GALLATIN, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2012

	Special		Capital Projects Funds		Permanent Funds		
	Revenue Funds		Capital Projects	Capital	Thomas	Cemetery	
	Special	Drug	2007 G.O. Bond	Projects	Witherspoon	Trust	Totals
Revenues							
Fines and forfeitures	\$ 4,500	\$ 115,932	\$ -	\$ -	\$ -	\$ -	\$ 120,432
Grant	-	-	276,299	-	-	-	276,299
Other	23,483	-	805	3,045	7,250	88	34,671
Total revenues	27,983	115,932	277,104	3,045	7,250	88	431,402
Expenditures							
Current							
Public safety	25,211	130,230	-	-	-	-	155,441
Public works	-	-	-	292,726	-	-	292,726
Capital outlay	-	-	358,190	621,790	-	-	979,980
Total expenditures	25,211	130,230	358,190	914,516	-	-	1,428,147
Excess (deficiency) of revenues over (under) expenditures	2,772	(14,298)	(81,086)	(911,471)	7,250	88	(996,745)
Other financing sources (uses)							
Transfers in	-	-	-	1,038,997	-	-	1,038,997
Transfers out	-	-	(600,000)	-	-	-	(600,000)
Total other financing sources (uses)	-	-	(600,000)	1,038,997	-	-	438,997
Net changes in fund balances	2,772	(14,298)	(681,086)	127,526	7,250	88	(557,748)
Fund balance - beginning	141,864	(125,167)	616,633	1,900,555	363,448	21,414	2,918,747
Prior period adjustment	(103,897)	212,862	-	-	-	-	108,965
Fund balance - beginning - restated	37,967	87,695	616,633	1,900,555	363,448	21,414	3,027,712
Fund balance - ending	\$ 40,739	\$ 73,397	\$ (64,453)	\$ 2,028,081	\$ 370,698	\$ 21,502	\$ 2,469,964

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SPECIAL SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Fines and forfeitures:				
Sex offender registry	\$ 4,500	\$ 4,500	\$ 4,500	\$ -
Other:				
Donations	20,000	20,000	23,459	3,459
Interest	-	-	24	24
Total revenues	<u>24,500</u>	<u>24,500</u>	<u>27,983</u>	<u>3,483</u>
Expenditures				
Public safety:				
Police:				
Current:				
Office supplies	4,500	9,273	4,101	(5,172)
Fundraising expenses	-	-	2,150	2,150
Grants and donations	<u>20,000</u>	<u>20,000</u>	<u>18,960</u>	<u>(1,040)</u>
Total expenditures	<u>24,500</u>	<u>29,273</u>	<u>25,211</u>	<u>(4,062)</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ (4,773)</u>	<u>2,772</u>	<u>\$ 7,545</u>
Fund balance - beginning			141,864	
Prior period adjustment			<u>(103,897)</u>	
Fund balance - beginning - restate			<u>37,967</u>	
Fund balance - ending			<u>\$ 40,739</u>	

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeitures	\$ 100,000	\$ 101,000	\$ 115,932	\$ 14,932
Total revenues	<u>100,000</u>	<u>101,000</u>	<u>115,932</u>	<u>14,932</u>
Expenditures				
Public safety:				
Police:				
Current:				
Supplies	<u>100,000</u>	<u>130,295</u>	<u>130,230</u>	<u>(65)</u>
Total expenditures	<u>100,000</u>	<u>130,295</u>	<u>130,230</u>	<u>(65)</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ (29,295)</u>	<u>(14,298)</u>	<u>\$ 14,997</u>
Fund balance - beginning			(125,167)	
Prior period adjustment			<u>212,862</u>	
Fund balance - beginning - restated			<u>87,695</u>	
Fund balance - ending			<u>\$ 73,397</u>	

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
ENVIRONMENTAL SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 1,118,000	\$ 1,118,000	\$ 1,129,419	\$ 11,419
Intergovernmental:				
Nongrant state revenue	-	-	1,909	1,909
Other:				
Sale of supplies	35,000	35,000	25,063	(9,937)
Miscellaneous	-	29,866	35,472	5,606
Total revenues	<u>1,153,000</u>	<u>1,182,866</u>	<u>1,191,863</u>	<u>8,997</u>
Expenditures				
Environmental services:				
Current:				
Salaries	520,555	520,555	529,867	9,312
Employee benefits and taxes	225,410	225,410	196,437	(28,973)
Insurance	27,000	27,000	15,607	(11,393)
Utilities	14,600	14,600	8,068	(6,532)
Repairs and maintenance	46,000	46,000	51,566	5,566
Other contractual services	567,000	567,000	518,038	(48,962)
Supplies	7,800	7,800	6,505	(1,295)
Gas, oil, diesel, etc.	131,000	131,000	132,688	1,688
Supplies for resale	24,250	24,250	44,554	20,304
Natural materials	45,000	45,000	76,008	31,008
Recycling program	-	28,861	6,599	(22,262)
Miscellaneous	2,020	2,020	972	(1,048)
Capital outlay	-	114,990	114,990	-
Total expenditures	<u>1,610,635</u>	<u>1,754,486</u>	<u>1,701,899</u>	<u>(52,587)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(457,635)</u>	<u>(571,620)</u>	<u>(510,036)</u>	<u>61,584</u>
Other financing sources (uses)				
Transfers in	452,335	452,335	355,255	(97,080)
Transfers out	-	(1,005)	-	1,005
Total other financing sources (uses)	<u>452,335</u>	<u>451,330</u>	<u>355,255</u>	<u>(96,075)</u>
Net changes in fund balance	<u>\$ (5,300)</u>	<u>\$ (120,290)</u>	<u>(154,781)</u>	<u>\$ (34,491)</u>
Fund balance - beginning			23,281	
Prior period adjustment			(32,364)	
Fund balance - beginning - restated			(9,083)	
Fund balance - ending			<u>\$ (163,864)</u>	

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
For the Fiscal Year Ended June 30, 2012

<u>Tax Levy for Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Beginning Outstanding Taxes</u>	<u>Additions and Adjustments</u>	<u>Collections</u>	<u>Ending Outstanding Taxes</u>	<u>Outstanding Taxes Being Collected by Chancery Court</u>
2012	0.99	\$ 9,438,136	\$ -	\$ 9,400,417	\$ 9,029,031	\$ 371,386	\$ -
2011	0.99	8,947,608	337,402	2,437	155,056	184,783	184,783
2010	0.99	8,655,224	144,636	-	98,259	46,377	46,377
2009	1.12	8,154,892	108,437	-	43,395	65,042	65,042
2008	1.12	7,525,767	79,619	1,581	49,218	31,982	31,982
2007	1.12	3,505,226	40,469	-	20,855	19,614	19,614
2006	1.12	3,516,944	34,246	-	23,353	10,893	10,893
2005	1.12	3,404,526	26,197	-	14,126	12,071	12,071
2004	1.12	3,458,448	44,958	-	25,757	19,201	19,201
2003	1.12	3,370,884	101,468	-	60,881	40,587	40,587
2002	1.32	3,142,005	93,134	-	93,134	-	-
			<u>\$ 1,010,566</u>	<u>\$ 9,404,435</u>	<u>\$ 9,613,065</u>	<u>\$ 801,936</u>	<u>\$ 430,550</u>
Above balances represented as follows:							
Considered current revenue						79,306	
Allowance for uncollectible accounts						166,082	
Deferred revenue						556,548	
						<u>801,936</u>	
2012 property tax assessment						9,436,454	
Total taxes receivable						<u>\$ 10,238,390</u>	

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF ELECTRIC RATES IN FORCE
June 30, 2012

Residential Rate Schedule:

Customer charge - per delivery point per month	\$ 10.03
Energy charge - cents per kWh	0.08151

General Power Schedule:

GSA (Demand 0-5,000 kW demand)

Customer charge - per delivery point per month	\$ 14.82
--	----------

1. Less than 50kW demand and not more than 15,000 kWh

Energy charge - cents per kWh	0.09085
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2. Between 51 and 1,000 kW demand with energy usage over 15,000 kWh

Customer charge - per delivery point per month	\$ 30.00
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Demand charges - per kW per month

0-50 kW

-

More than 50 to 1,000 kW, per kW

9.00

Energy charge - cents per kWh

First 15,000 kWh per month

0.08923

Additional kWh per month

0.06318

3. Between 1,001 and 5,000 kW demand

Customer charge - per delivery point per month	\$ 100.00
--	-----------

Demand charges - per kW per month

0-1,000 kW, per kW

9.00

More than 1,000 to 5,000 kW, per kW

12.48

Energy charge - cents per kWh

0.06317

SGSB (5,001 - 15,000 kW demand)

Customer charge - per delivery point per month	\$ 1,500.00
--	-------------

Demand charges - per kW per month

All kW - per kW per month

21.63

Energy charge - cents per kWh

0.04983

SMSB

Customer charge - per delivery point per month	\$ 1,500.00
--	-------------

Demand charges - per kW per month

All kW - per kW per month

18.74

Energy charge - cents per kWh

0.04217

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF ELECTRIC RATES IN FORCE
June 30, 2012

General Power Schedule (Continued):

TDMSD (Demand over 25,000 kW)		
Customer charge - per delivery point per month	\$	1,500.00
Demand charges - per kW per month		
All kW (on peak)- per kW per month		15.83
All kW (off peak)- per kW per month		3.38
Energy charge - cents per kWh		
All kWh (on peak)		0.08091
All kWh (off peak)		0.04569
OUTDOOR LIGHTING		
100 Watt H.P.S.	\$	8.55
150 Watt H.P.S.		11.48
175 Watt M.V.		8.92
250 Watt H.P.S.		14.45
400 Watt H.P.S.		18.46
Outdoor lighting kWh		0.06680

Number of customers:

	2012	2011
Residential	13,166	13,455
Commercial and industrial	2,460	2,503
Street and athletic fields	55	53
Individually billed outdoor lighting	39	32
	<u>15,720</u>	<u>16,043</u>

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF WATER AND SEWER RATES IN FORCE
June 30, 2012

Water Division

Inside City Limits

All customers

\$ 9.80 for first 250 cubic feet
\$ 2.65 per 100 cubic feet in excess of 250 cubic feet

Outside City Limits

All customers

\$14.70 for first 250 cubic feet
\$ 3.98 per 100 cubic feet in excess of 250 cubic feet

Sewer Division

Inside City Limits

All customers

\$ 9.80 for first 250 cubic feet
\$ 2.65 per 100 cubic feet in excess of 250 cubic feet

Outside City Limits

All customers

\$14.70 for first 250 cubic feet
\$ 3.98 per 100 cubic feet in excess of 250 cubic feet

Number of customers:

Water and Sewer

2012	2011
13,124	13,808

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF GAS RATES IN FORCE
June 30, 2012

Residential and commercial - inside city

First 200 cubic feet	\$	3.50
All usage over 200 cubic feet, per ccf		0.79

Residential and commercial - outside city

First 200 cubic feet	\$	3.85
All usage over 200 cubic feet, per ccf		0.87

Industrial

All usage, per ccf	\$	0.79
--------------------	----	------

Preferred interruptible

All usage, per ccf	\$	0.56
--------------------	----	------

Interruptible

First 100,000 cubic feet	\$	0.46
All usage over 100,000 cubic feet, per ccf	\$	0.41

Number of customers:

	2012	2011
Residential	7,668	8,570
Commercial	600	711
Industrial	30	31
Interruptible	2	2
	<u>8,300</u>	<u>9,314</u>

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
June 30, 2012

		(all amounts in gallons)	
A	Water Treated and Purchased:		
B	Water Pumped (potable)	2,279,994,000	
C	Water Purchased	<u>0</u>	
D	Total Water Treated and Purchased (Sum Lines B and C)		2,279,994,000
E	Accounted for Water:		
F	Water Sold	1,713,739,095	
G	Metered for Consumption (in house usage)	91,639,205	
H	Fire Department(s) Usage	1,174,200	
I	Flushing	7,546,657	
J	Tank Cleaning/Filling	0	
K	Street Cleaning	2,000	
L	Bulk Sales	417,935	
M	Water Bill Adjustments / plus or (minus)	<u>14,198,823</u>	
N	Total Accounted for Water (Sum Lines F and M)		<u>1,828,717,915</u>
O	Unaccounted for Water (Lines D minus Line N)		<u>451,276,085</u>
P	Percent Unaccounted for Water (Lines O divided by Line D times 100)		19.79%
Q	Other (explain)	See Below	
Explain Other:	<div style="border: 1px solid black; height: 150px; width: 100%; position: relative;"> <div style="position: absolute; top: 0; right: 0; text-align: right; padding-right: 10px;">0</div> </div>		

All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file for a line item or if the line item is not applicable, a "0" is shown.

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT - CITY
June 30, 2012

Year Ended June 30,	G.O. Refunding Bonds Series 2004		G.O. Public Improvement Bonds Series 2007		2009 Capital Outlay Note		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 350,000	\$ 25,883	\$ 130,000	\$ 299,169	\$ 355,000	\$ 116,106	\$ 835,000	\$ 441,158
2014	345,000	15,895	150,000	293,969	365,000	102,794	860,000	412,658
2015	335,000	5,360	180,000	287,969	380,000	89,106	895,000	382,435
2016	-	-	430,000	278,969	400,000	73,906	830,000	352,875
2017	-	-	445,000	257,469	415,000	56,906	860,000	314,375
2018	-	-	465,000	235,219	435,000	40,306	900,000	275,525
2019	-	-	485,000	211,969	460,000	21,275	945,000	233,244
2020	-	-	500,000	191,356	-	-	500,000	191,356
2021	-	-	525,000	170,106	-	-	525,000	170,106
2022	-	-	545,000	147,794	-	-	545,000	147,794
2023	-	-	565,000	124,631	-	-	565,000	124,631
2024	-	-	590,000	102,031	-	-	590,000	102,031
2025	-	-	615,000	78,431	-	-	615,000	78,431
2026	-	-	640,000	53,831	-	-	640,000	53,831
2027	-	-	665,000	27,431	-	-	665,000	27,431
	<u>\$ 1,030,000</u>	<u>\$ 47,138</u>	<u>\$ 6,930,000</u>	<u>\$ 2,760,344</u>	<u>\$ 2,810,000</u>	<u>\$ 500,399</u>	<u>\$ 10,770,000</u>	<u>\$ 3,307,881</u>
							<u>\$ 14,077,881</u>	

CITY OF GALLATIN, TENNESSEE
PROPRIETARY FUNDS - WATER AND SEWER
SCHEDULE OF LONG-TERM DEBT
June 30, 2012

Year Ended June 30,	Water & Sewer Department						Total Requirements		
	Water & Sewer		Water & Sewer		Water & Sewer		Principal	Interest	Total
	Rev & Tax Bond - 2008	Interest	Rev & Tax Bond - 2004	Interest	Rev & Tax Bond - 2003	Interest			
	Principal	Interest	Principal	Interest	Principal	Interest			
2013	\$ 675,000	\$ 1,143,925	\$ 310,000	\$ 53,094	\$ 230,000	\$ -	\$ 1,465,000	\$ 1,473,717	\$ 2,938,717
2014	725,000	1,120,300	305,000	44,256	-	-	1,280,000	1,436,254	2,716,254
2015	775,000	1,094,925	300,000	34,881	-	-	1,335,000	1,396,503	2,731,503
2016	800,000	1,067,800	295,000	25,103	-	-	1,365,000	1,350,501	2,715,501
2017	850,000	1,037,800	290,000	15,050	-	-	1,420,000	1,302,348	2,722,348
2018	900,000	1,003,800	285,000	4,988	-	-	1,590,000	1,249,886	2,839,886
2019	955,000	967,800	-	-	-	-	1,375,000	1,196,748	2,571,748
2020	990,000	929,600	-	-	-	-	1,420,000	1,145,948	2,565,948
2021	1,035,000	887,525	-	-	-	-	1,475,000	1,090,973	2,565,973
2022	1,075,000	846,125	-	-	-	-	1,525,000	1,036,373	2,561,373
2023	1,120,000	797,750	-	-	-	-	1,580,000	974,498	2,554,498
2024	1,180,000	741,750	-	-	-	-	1,670,000	904,698	2,574,698
2025	1,240,000	682,750	-	-	-	-	1,745,000	830,998	2,575,998
2026	1,300,000	620,750	-	-	-	-	1,820,000	755,128	2,575,128
2027	1,365,000	555,750	-	-	-	-	1,900,000	674,510	2,574,510
2028	1,435,000	487,500	-	-	-	-	1,990,000	589,542	2,579,542
2029	1,505,000	415,750	-	-	-	-	2,075,000	499,754	2,574,754
2030	1,580,000	340,500	-	-	-	-	2,170,000	405,694	2,575,694
2031	1,660,000	261,500	-	-	-	-	2,275,000	306,044	2,581,044
2032	1,740,000	178,500	-	-	-	-	2,375,000	201,518	2,576,518
2033	1,830,000	91,500	-	-	-	-	1,830,000	91,500	1,921,500
	<u>\$ 24,735,000</u>	<u>\$ 15,273,600</u>	<u>\$ 1,785,000</u>	<u>\$ 177,372</u>	<u>\$ 230,000</u>	<u>\$ -</u>	<u>\$ 35,680,000</u>	<u>\$ 18,913,135</u>	<u>\$ 54,593,135</u>

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF BONDS OF PRINCIPAL OFFICIALS
For the Year Ended June 30, 2012

Name	Position		Bond
Jo Ann Graves	Mayor	\$	250,000
Rachel Nichols	Director of Finance	\$	250,000
Ronnie Stiles	Director of Public Works	\$	250,000
David A. Gregory	Superintendent of Public Utilities	\$	250,000
Donald Bandy	Chief of Police	\$	250,000
William L. Crook	Fire Chief	\$	250,000
Tony Allers	Director of Codes and Planning	\$	250,000
David Brown	Director of Leisure Services	\$	250,000
Dave Crawford	Personnel Official	\$	250,000
James Fenton*	Director of Economic Development	\$	250,000
Nick Tuttle	City Engineer	\$	250,000
E. Anne Kemp	Council Member	\$	250,000
William C. Hayes	Council Member	\$	250,000
Ronald E. Mayberry	Council Member	\$	250,000
John D. Alexander	Council Member	\$	250,000
Joseph T. Garrott	Council Member	\$	250,000
James W. Overton	Council Member	\$	250,000
Steve C. Camp	Council Member	\$	250,000

* Clay Walker served in this role until March 2012. James Fenton took over in June 2012. All others served in their respective roles for the entire year.

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

	CFDA Number	Pass Through Agency Grant Number	Beginning Balance 7/1/11	Adjustments	Receipts	Disbursements	Ending Balance 6/30/12
U.S. Department of Transportation							
Passed Through the Tennessee Department of Transportation:							
Highway Planning and Construction - ARRA	20.205*	N/A	\$ (549,890)	\$ -	\$ 552,481	\$ 2,591	\$ -
Highway Planning and Construction - ARRA	20.205*	N/A	(216,332)	-	290,174	76,361	(2,519)
Highway Planning and Construction - ARRA	20.205*	N/A	(221,553)	129,687	91,866	-	-
Highway Planning and Construction - ARRA	20.205*	N/A	-	-	-	152,694	(152,694)
Highway Planning and Construction	20.205*	N/A	(13,873)	-	238,865	285,199	(60,207)
Total U.S. Department of Transportation			(1,001,648)	129,687	1,173,386	516,845	(215,420)
U.S. Department of Agriculture							
Emergency Watershed Protection Program - ARRA	10.923	N/A	(37,421)	-	37,421	-	-
U.S. Department of Justice							
Edward Byrne Memorial Justice Assistance Grant	16.738	10-DJ-BX-3229	-	-	-	3,118	(3,118)
Bulletproof Vest Partnership Program	16.607	N/A	(5,122)	-	4,987	6,008	(6,143)
Law Enforcement Assistance to FBI Police Training	16.300	N/A	-	-	15,836	17,270	(1,434)
Total U.S. Department of Justice			(5,122)	-	20,823	26,396	(10,695)
U.S. Department of Homeland Security							
Assistance to Firefighters	97.044*	N/A	(25,002)	-	465,985	661,010	(220,027)
Federal Emergency Management Agency							
Disaster Grants Public Assistance	97.036	N/A	-	-	105,922	124,398	(18,476)
Disaster Grants Public Assistance	97.036	N/A	-	(34,018)	34,018	-	-
			-	(34,018)	139,940	124,398	(18,476)
Hazard Mitigation Grant	97.039	N/A	-	-	-	11,594	(11,594)
Total Federal Emergency Management Agency			-	(34,018)	139,940	135,992	(30,070)
U.S. Department of HUD							
Passed Through the Tennessee Housing Development Agency:							
Home Investment Partnership Program	14.239	N/A	-	-	-	1,799	(1,799)
Total Federal Awards			\$ (1,069,193)	\$ 95,669	\$ 1,837,555	\$ 1,342,042	\$ (478,011)

* Major fund for single audit testing.

See independent auditor's report.

CITY OF HUMBOLDT, TENNESSEE
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2012

	State Grant Number	Beginning Balance 7/1/11	Receipts	Disbursements	Ending Balance 6/30/12
Tennessee Department of Transportation					
Big Station Camp Creek Rd		\$ (1,145)	\$ 4,087	\$ 2,942	\$ -
Gateway Drive SIA		-	-	1,638	(1,638)
		(1,145)	4,087	4,580	(1,638)
Tennessee Emergency Management Agency					
Disaster Grants - Public Assistance	FEMA-1909-DR-TN	-	18,629	20,733	(2,104)
Tennessee Department of Agriculture					
Tree Grant	N/A	(1,440)	1,440	-	-
Tennessee Department of Conservation					
Environmental Clean Up - Brown's Tire		-	100,000	100,000	-
Town Creek Bank Stabilization		-	100,000	-	100,000
		-	200,000	100,000	100,000
Total State Awards		\$ (2,585)	\$ 224,156	\$ 125,313	\$ 96,258

See independent auditor's report.

STATISTICAL SECTION

CITY OF GALLATIN, TENNESSEE STATISTICAL SECTION DIVIDER PAGE

This part of the City of Gallatin, Tennessee's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the City's overall financial health.

Contents:

Financial Trends

These Schedules contain trend information to help readers understand how the City's financial performance and well-being have changed over time. 76

Revenue Capacity

These Schedules contain information to help readers assess the City's most significant local revenue source - its property taxes..... 81

Debt Capacity

These Schedules present information to help readers assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. 84

Demographic and Economic Information

These Schedules offer demographic and economic indicators to help readers understand the environment within which the City's financial activities take place. 87

Operating Information

These Schedules contain service and infrastructure data to help readers understand how the information in the City's financial report relates to the services the City provides and the activities it performs. 89

Except where noted, the information in these Schedules is derived from the City of Gallatin, Tennessee's, comprehensive annual financial reports (or financial statements where applicable) for the relevant years. The City implemented GASB 34 in 2003: Schedules presenting government-wide information include information beginning that year.

CITY OF GALLATIN, TENNESSEE
FINANCIAL TRENDS INFORMATION -
NET ASSETS BY COMPONENT - LAST TEN FISCAL YEARS*

(Prepared using the accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities:										
Investments in capital assets, net of related deb	\$ 42,147,155	\$ 46,347,565	\$ 40,679,786	\$ 35,081,049	\$ 30,192,475	\$ 25,940,281	\$ 30,858,306	\$ 26,282,195	\$ 23,340,840	\$ 20,324,988
Restricted	100,024	15,000	(171,346)	(60,463)	315,366	276,859	15,000	922,957	538,645	805,060
Unrestricted	10,465,112	9,546,556	38,464,287	13,160,946	14,348,514	19,876,514	8,339,620	8,957,037	9,628,934	9,607,473
Total net assets	\$ 52,712,291	\$ 55,909,121	\$ 78,972,727	\$ 48,181,532	\$ 44,856,355	\$ 46,093,654	\$ 39,212,926	\$ 36,162,189	\$ 33,508,419	\$ 30,737,521
Business-type activities:										
Investments in capital assets, net of related deb	\$ 99,420,067	\$ 99,497,736	\$ 90,944,012	\$ 82,808,956	\$ 97,346,673	\$ 86,922,174	\$ 78,646,271	\$ 71,055,638	\$ 67,885,890	\$ 65,065,892
Restricted for workers compensation adjustment	7,425	-	-	-	-	-	-	-	-	-
Unrestricted	28,194,323	26,219,039	4,919,217	38,074,203	20,291,861	19,344,762	20,545,976	17,055,143	14,082,726	11,194,194
Total net assets	\$ 127,621,815	\$ 125,716,775	\$ 95,863,229	\$ 120,883,159	\$ 117,638,534	\$ 106,266,936	\$ 99,192,247	\$ 88,110,781	\$ 81,968,616	\$ 76,260,086
Primary government:										
Investments in capital assets, net of related deb	\$ 141,567,222	\$ 145,845,301	\$ 131,623,798	\$ 117,890,005	\$ 127,539,148	\$ 112,862,455	\$ 109,504,577	\$ 97,337,833	\$ 91,226,730	\$ 85,390,880
Restricted	107,449	15,000	(171,346)	(60,463)	315,366	276,859	15,000	922,957	538,645	805,060
Unrestricted	38,659,435	35,765,595	43,383,504	51,235,149	34,640,375	39,221,276	28,885,596	26,012,180	23,711,660	20,801,867
Total net assets	\$ 180,334,106	\$ 181,625,896	\$ 174,835,956	\$ 169,064,691	\$ 162,494,889	\$ 152,360,590	\$ 138,405,173	\$ 124,272,970	\$ 115,477,035	\$ 106,997,807

CITY OF GALLATIN, TENNESSEE
FINANCIAL TRENDS INFORMATION -
CHANGE IN NET ASSETS - LAST TEN FISCAL YEARS*

(Prepared using the accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities:										
Revenues:										
Program revenues:										
Charges for services	\$ 4,813,637	\$ 5,342,165	\$ 4,462,096	\$ 4,127,495	\$ 4,937,573	\$ 4,366,414	\$ 2,950,614	\$ 2,751,837	\$ 2,225,531	\$ 2,204,828
Operating grants & contributions	948,083	854,869	703,346	1,474,369	848,469	3,502,202	636,779	869,005	1,157,765	1,061,975
Capital grants & contributions	1,465,557	4,020,980	2,383,773	4,022,806	590,405	138,751	1,642,282	1,722,591	1,321,300	-
General revenues:										
Property taxes	10,711,682	9,823,133	9,514,877	9,106,950	8,608,885	7,928,834	6,555,251	5,987,978	5,724,233	6,601,113
Sales taxes	7,700,686	6,874,129	6,422,853	6,390,038	6,863,042	6,752,289	6,154,339	4,154,177	3,876,075	3,916,658
Franchise taxes	379,020	356,845	341,828	327,853	299,962	276,664	248,792	-	-	-
Alcoholic beverage taxes	1,067,339	1,039,948	965,092	877,642	953,765	918,743	875,523	-	-	-
Business taxes	668,252	556,382	485,461	521,590	520,295	483,682	388,283	-	-	-
Income taxes	859,602	688,179	758,315	80,810	506,966	440,512	220,822	1,409,098	1,331,015	1,230,562
Miscellaneous taxes	-	1,572	2,075	2,790	142,032	140,403	674,563	1,896,131	1,966,921	2,048,212
Rental and reimbursements	-	25,863	29,627	35,521	66,445	58,855	590,320	-	-	-
Other sources	188,417	286,687	106,491	207,570	(866,780)	395,355	417,118	132,450	301,162	743,332
State and local school revenues	-	-	-	-	-	-	-	-	-	-
Unrestricted interest income	5,491	28,999	100,415	519,239	682,761	490,238	234,794	151,986	98,936	114,238
In lieu of taxes and transfers	987,430	669,414	1,396,522	1,071,242	685,674	887,035	826,908	846,667	830,636	(723,756)
Total revenues	29,795,196	30,569,165	27,672,771	28,765,915	24,839,494	26,779,977	22,416,388	19,921,920	18,833,574	17,197,162
Expenses:										
General government	4,753,776	5,833,977	4,634,869	5,936,304	9,294,335	4,234,693	3,426,964	3,530,485	3,036,343	3,025,715
Public safety	11,090,606	10,522,520	10,583,895	10,217,027	9,312,521	8,926,042	7,710,413	6,756,172	6,246,794	6,076,879
Engineering	1,978,103	1,648,991	395,200	636,589	408,330	703,821	521,482	413,530	447,373	102,101
Environmental services	1,744,131	1,483,595	1,504,489	1,433,602	1,404,985	1,677,427	2,132,344	1,918,049	1,808,843	1,725,197
Animal control	119,396	109,535	99,965	112,082	47,647	47,119	42,050	40,235	29,453	43,104
Public works	1,215,578	572,127	351,059	26,564	226,892	153,821	156,392	138,488	146,935	120,399
Highways, streets and roadways	1,234,568	1,303,547	1,421,330	2,085,472	1,751,275	1,841,983	1,677,828	1,669,388	1,454,630	978,133
Vehicle maintenance	404,846	393,742	403,148	376,013	352,822	333,463	311,944	302,551	315,462	379,949
Parks and recreation	4,074,264	4,182,036	3,845,550	3,238,619	2,449,295	2,768,383	2,579,035	2,404,761	2,402,647	2,276,060
Economic development	254,355	222,988	269,588	270,456	278,287	230,687	202,705	-	-	-
Interest on debt	472,734	484,738	487,066	785,391	320,565	90,045	105,638	94,489	291,139	299,324
Total expenses	27,342,357	26,757,796	23,996,159	25,118,119	25,846,954	21,007,484	18,866,795	17,268,148	16,179,619	15,026,861
Change in net assets	2,452,839	3,811,369	3,676,612	3,647,796	(1,007,460)	5,772,493	3,549,593	2,653,772	2,653,955	2,170,301

CITY OF GALLATIN, TENNESSEE
FINANCIAL TRENDS INFORMATION -
CHANGE IN NET ASSETS - LAST TEN FISCAL YEARS*

(Prepared using the accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Business-Type activities:										
Program revenues:										
Charges for services	\$ 87,971,678	\$ 90,017,001	\$ 84,620,482	\$ 85,400,190	\$ 81,589,078	\$ 75,323,725	\$ 75,920,294	\$ 64,316,071	\$ 60,293,774	\$ 56,073,538
Capital grants & contributions	675,644	685,151	253,452	1,252,667	6,918,074	3,526,948	7,931,282	2,800,442	2,992,366	1,884,772
General revenues:										
Other sources	9,359	536,533	10,467	8,506	10,169	5,485	14,447	-	-	-
Unrestricted interest income	146,100	153,210	200,533	437,057	718,092	1,009,368	876,518	455,739	199,264	212,131
Total revenues	88,802,781	91,391,895	85,084,934	87,098,420	89,235,413	79,865,526	84,742,541	67,572,252	63,485,404	58,170,441
Expenses:										
Electric	61,686,993	60,976,208	52,252,566	52,075,601	48,441,112	44,556,792	23,127,731	36,874,016	36,623,921	34,634,951
Gas	13,002,653	15,257,278	19,064,230	19,354,295	20,349,492	18,901,303	42,349,573	16,953,730	13,980,974	13,189,500
Golf	-	-	-	1,011,561	978,014	947,510	911,903	913,014	896,171	840,283
Water & Sewer	11,256,106	11,510,424	10,386,989	10,073,496	7,656,635	7,130,595	6,444,961	5,842,660	5,441,054	5,254,474
In lieu of taxes - transfer	987,430	669,414	1,396,522	1,071,241	685,674	887,035	826,908	846,667	830,636	(723,756)
Total expenses	86,933,182	88,413,324	83,100,307	83,586,194	78,110,927	72,423,235	73,661,076	61,430,087	57,772,756	53,195,452
Change in net assets	1,869,599	2,978,571	1,984,627	3,512,226	11,124,486	7,442,291	11,081,465	6,142,165	5,712,648	4,974,989
Total change in net assets	\$ 4,322,438	\$ 6,789,940	\$ 5,661,239	\$ 7,160,022	\$ 10,117,026	\$ 13,214,784	\$ 14,631,058	\$ 8,795,937	\$ 8,366,603	\$ 7,145,290

**CITY OF GALLATIN, TENNESSEE
FINANCIAL TRENDS INFORMATION -
FUND BALANCES, GOVERNMENTAL FUNDS - LAST TEN FISCAL YEARS**

(Prepared using the accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Funds:										
(Pre-GASB 54)										
Unreserved:										
General fund	\$ -	\$ -	\$10,410,950	\$11,213,358	\$ 9,577,025	\$11,955,011	\$8,291,690	\$ 9,276,034	\$ 9,469,208	\$ 9,720,110
Special revenue funds	-	-	(2,955)	22,272	24,557	-	174,246	192,017	105,662	106,183
Capital projects funds	-	-	28,754,178	(11,509,512)	4,745,837	7,910,831	472,836	457,490	454,291	454,544
Permanent funds	-	-	374,321	353,996	336,050	309,421	297,147	286,970	278,070	270,381
Total unreserved fund balances	-	-	39,536,494	80,114	14,683,469	20,175,263	9,235,919	10,212,511	10,307,231	10,551,218
Reserved	-	-	(123,720)	(11,904)	340,885	302,608	31,228	15,000	15,000	15,000
(Post-GASB 54)										
Nonspendable	84,581	101,966	-	-	-	-	-	-	-	-
Restricted	455,722	352,817	-	-	-	-	-	-	-	-
Committed	184,395	173,501	-	-	-	-	-	-	-	-
Assigned	2,122,761	2,735,185	-	-	-	-	-	-	-	-
Unassigned	7,922,642	6,542,843	-	-	-	-	-	-	-	-
	<u>\$10,770,101</u>	<u>\$9,906,312</u>	<u>\$39,412,774</u>	<u>\$ 68,210</u>	<u>\$15,024,354</u>	<u>\$20,477,871</u>	<u>\$9,267,147</u>	<u>\$10,227,511</u>	<u>\$10,322,231</u>	<u>\$10,566,218</u>

**CITY OF GALLATIN, TENNESSEE
FINANCIAL TREND INFORMATION -
CHANGES IN FUND BALANCES FOR TOTAL GOVERNMENTAL FUNDS - LAST TEN FISCAL YEARS**

(Prepared using the accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Taxes	\$ 17,262,010	\$ 20,056,287	\$ 19,177,101	\$ 17,989,604	\$ 15,198,823	\$ 14,335,011	\$ 12,472,166	\$ 11,614,584	\$ 10,902,829	\$ 11,504,525
Licenses	315,602	247,346	278,110	615,775	851,142	696,601	529,282	504,675	344,087	335,201
Fines and penalties	1,479,913	2,307,129	1,424,589	1,446,691	1,737,566	1,567,133	966,013	639,128	331,404	327,416
Charges for services	2,993,059	2,787,690	2,759,398	2,064,030	2,348,866	2,102,680	1,455,320	1,422,581	947,669	1,419,183
Intergovernmental	5,742,786	3,325,809	2,466,644	791,301	4,092,959	3,691,619	3,136,744	2,768,336	3,260,883	3,171,790
Other	240,819	173,100	153,771	606,747	1,341,916	901,885	918,555	639,449	451,949	749,436
Total revenues	28,034,189	28,897,361	26,259,613	23,514,148	25,571,272	23,294,929	19,478,080	17,588,753	16,238,821	17,507,551
Expenditures										
General government	4,443,691	4,391,895	4,005,982	4,652,977	3,750,244	3,959,253	3,211,107	3,048,931	2,770,699	2,529,271
Public safety	10,760,468	9,960,491	9,841,580	9,688,847	9,285,197	8,259,007	7,113,058	6,167,861	5,732,734	5,500,365
Engineering	1,955,555	746,367	395,200	372,252	407,115	666,725	482,915	306,312	307,489	311,187
Environmental services	1,586,909	1,434,591	1,430,341	1,323,296	1,399,275	1,597,138	2,055,365	1,678,479	1,649,266	1,612,784
Animal control	117,017	108,815	99,965	90,649	47,647	47,119	42,050	39,931	30,308	43,030
Public works	592,211	155,426	152,145	149,677	145,258	139,527	139,229	126,064	119,260	111,486
Highways and streets	1,154,834	1,303,547	1,421,330	1,362,428	1,368,131	1,359,228	1,227,775	1,136,618	1,104,654	1,051,389
Vehicle maintenance	402,507	391,610	403,148	364,901	349,320	329,108	311,705	301,233	313,752	376,739
Parks and recreation	3,731,027	3,597,665	3,392,380	2,645,342	2,466,439	2,333,959	2,183,941	1,970,462	1,930,422	1,898,613
Economic Development Agency	254,355	211,193	234,598	230,201	217,975	224,440	198,999	-	-	-
Other program cost	-	-	(291)	291	243,714	243,714	125,960	50,339	30,457	32,395
Debt service:										
Principal	800,000	775,000	760,000	425,000	410,000	775,000	760,000	750,000	1,734,712	953,568
Interest	458,795	484,739	487,066	627,829	321,681	90,045	117,245	141,346	279,742	216,588
Capital outlay - capital	1,708,556	8,825,328	7,077,661	7,085,559	11,624,680	1,594,163	3,832,929	2,812,563	1,830,114	2,412,116
Total expenditures	27,965,925	32,386,667	29,701,125	29,019,249	31,802,962	21,618,426	21,802,278	18,530,139	17,833,609	17,049,541
Excess (deficiency) of revenues over (under) expenditures	68,264	(3,489,306)	(3,441,512)	(5,505,101)	(6,231,690)	1,676,503	(2,324,198)	(941,386)	(1,594,788)	458,010
Other financing sources (uses):										
Contributions	-	19,955	384,662	63,156	42,038	466,113	92,070	-	-	-
Forgiveness of golf course debt	-	-	-	-	-	-	-	-	-	(723,756)
Proceeds of long-term debt	-	-	-	3,642,438	-	7,500,000	-	-	41,661	-
Insurance proceeds	-	130,254	74,359	138,900	27,651	26,597	323,677	-	-	-
Sale of capital assets	-	38,194	8,404	16,684	3,661	15,966	-	-	-	-
In lieu of tax payments from utility*	987,430	-	1,396,522	1,071,241	685,674	887,035	826,907	846,667	-	-
Operating transfers in	1,994,252	669,414	-	-	-	-	-	-	(274,229)	-
Operating transfers out	(1,994,252)	-	-	-	-	-	-	-	(232,568)	-
Total other financing sources (uses)	987,430	857,817	1,863,947	4,932,419	759,024	8,895,711	1,242,654	846,667	(232,568)	(723,756)
Net changes in fund balances	\$ 1,055,694	\$ (2,631,489)	\$ (1,577,565)	\$ (572,682)	\$ (5,472,666)	\$ 10,572,214	\$ (1,081,544)	\$ (94,719)	\$ (1,827,356)	\$ (265,746)
Debt services as a percentage of non-capital expenditures	5.04%	5.30%	5.50%	4.80%	3.60%	4.30%	4.90%	5.70%	12.60%	8.00%

**CITY OF GALLATIN, TENNESSEE
REVENUE CAPACITY INFORMATION
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY -
LAST TEN TAX YEARS**

TAX YEAR	APPRAISED VALUE			ASSESSED VALUE AS A PERCENTAGE OF ACTUAL	TOTAL DIRECT TAX RATE*
	TOTAL TAXABLE ASSESSED VALUE	TAX EXEMPT PROPERTY	ESTIMATED ACTUAL TAXABLE VALUE		
2012	\$ 944,739,332	\$ 17,321,500	\$ 3,148,310,625	30.56%	\$ 0.99
2011	921,041,801	16,983,625	3,094,122,921	30.32%	0.99
2010	903,798,781	16,697,225	3,043,499,576	30.24%	0.99
2009	772,787,864	7,559,875	2,634,149,025	29.62%	1.12
2008	728,115,320	6,878,800	2,458,859,601	29.89%	1.12
2007	671,943,489	7,680,475	2,241,616,040	30.32%	1.12
2006	550,729,184	7,060,850	1,850,742,548	30.14%	1.12
2005	509,114,317	9,688,400	1,681,953,966	30.85%	1.12
2004	493,158,842	9,293,025	1,627,650,985	30.87%	1.32
2003	402,978,051	7,428,025	1,376,942,381	29.81%	1.32

* Per \$100 of assessed valuation

Note - Property of the City is reappraised periodically. For this reason appraised value is considered equal to actual value. All information was pulled from the tax levies by the year noted.

**CITY OF GALLATIN, TENNESSEE
REVENUE CAPACITY INFORMATION
PRINCIPAL PROPERTY TAX PAYERS - CURRENT YEAR AND NINE YEARS AGO**

	2012		2003	
	ASSESSED VALUATION	PERCENT OF TOTAL VALUATION	ASSESSED VALUATION	PERCENT OF TOTAL VALUATION
Sumner Regional Medical Center	\$ 90,499,700	9.58%	\$ -	0.00%
Gap, Inc.	76,300,000	8.08%	-	0.00%
MAA Brik	25,764,200	2.73%	-	0.00%
Wellington Farms Apts.	25,499,400	2.65%	-	0.00%
Stoneridge Farms	25,020,762	2.65%	16,035,280	3.98%
Sumner Regional HC	23,058,200	2.44%	-	0.00%
Isaacson/Steen	12,781,300	1.35%	-	0.00%
Hoeganaes Corp	12,224,809	1.29%	8,136,725	2.02%
R R Donnelley & Sones	9,069,734	0.96%	6,346,400	1.57%
Gap, Inc. & Subs Ent #99560	6,009,581	0.64%	-	0.00%
City of Gallatin	-	0.00%	59,152,800	14.68%
TLP Devco, LLC	-	0.00%	8,734,450	2.17%
Walmart Real Estate	-	0.00%	7,885,680	1.96%
Littleston, LLC	-	0.00%	6,719,200	1.67%
ABC Group Prop, Inc.	-	0.00%	6,346,400	1.57%
Sumner Med Plaza LLC	-	0.00%	5,024,880	1.25%
BellSouth Telecommunication	-	0.00%	4,003,138	0.99%
Totals	<u>\$ 306,227,686</u>	<u>32.37%</u>	<u>\$ 128,384,953</u>	<u>31.86%</u>

Information was obtained from the property tax rolls for the years noted.

**CITY OF GALLATIN, TENNESSEE
REVENUE CAPACITY INFORMATION
PROPERTY TAX LEVIES AND COLLECTIONS - LAST TEN FISCAL YEARS**

FISCAL YEAR	ASSESSED VALUATION	TOTAL LEVY	TAX	COLLECTED WITHIN TAX YEAR OF LEVY	PERCENT COLLECTED	COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS	TOTAL COLLECTIONS AS PERCENT OF TOTAL LEVY
2012	\$ 944,739,332	\$ 9,440,679		\$ 8,792,522	93.13%	\$ 281,952	\$ 9,074,474	96.12%
2011	921,041,801	9,118,314		8,756,928	92.60%	594,036	9,350,964	102.55%
2010	903,798,781	8,947,608		8,794,819	98.29%	427,296	9,222,115	103.07%
2009	772,787,864	8,655,224		8,743,629	101.02%	580,356	9,323,985	107.73%
2008	728,115,320	8,154,892		8,284,247	101.59%	175,939	8,460,186	103.74%
2007	671,943,489	7,525,767		7,394,843	98.26%	268,278	7,663,121	101.83%
2006	550,729,184	6,168,167		6,023,784	97.66%	144,187	6,167,971	100.00%
2005	509,114,317	5,702,080		5,732,482	100.53%	215,372	5,947,854	104.31%
2004	493,158,842	6,509,697		5,394,388	82.87%	192,497	5,586,885	85.82%
2003	402,978,051	5,319,310		5,196,914	97.70%	246,140	5,443,054	102.33%

Assessed valuation amount was taken from the property tax levy for the year noted.

CITY OF GALLATIN, TENNESSEE
DEBT CAPACITY INFORMATION
RATIOS OF OUTSTANDING DEBT BY TYPE - LAST TEN FISCAL YEARS

FISCAL YEAR	POPULATION*	PERSONAL INCOME**	GOVERNMENTAL ACTIVITIES				BUSINESS-TYPE ACTIVITIES				TOTAL PRIMARY GOVERNMENT	DEBT PER CAPITA	PERCENT OF PERSONAL INCOME
			GENERAL OBLIGATION BONDS		TOTAL GOVERNMENTAL		REVENUE & TAX BONDS		TOTAL BUSINESS- TYPE ACTIVITIES				
				NOTES				NOTES					
2012	30,278	\$ 23,465	\$ 7,960,000	\$ 2,810,000	\$ 10,770,000	\$ 35,680,000	\$ 744,902	\$ 36,424,902	\$ 47,194,902	\$ 1,558.72	6.64%		
2011	30,278	23,138	8,420,000	3,150,000	11,570,000	31,457,208	869,052	32,326,260	43,896,260	1,449.77	6.27%		
2010	28,677	23,465	8,865,000	3,480,000	12,345,000	32,666,168	993,202	33,659,370	46,004,370	1,604.23	6.84%		
2009	28,198	24,631	13,105,000	-	13,105,000	33,864,444	1,117,352	34,981,796	48,086,796	1,705.33	6.92%		
2008	27,569	25,370	9,730,000	-	9,730,000	7,360,000	-	7,360,000	17,090,000	619.90	2.44%		
2007	23,917	32,305	10,140,000	-	10,140,000	7,900,000	-	7,900,000	18,040,000	754.28	2.33%		
2006	23,917	29,279	3,510,000	-	3,510,000	8,445,000	-	8,445,000	11,955,000	499.85	1.71%		
2005	23,917	28,544	4,175,000	-	4,175,000	8,940,000	-	8,940,000	13,115,000	548.35	1.92%		
2004	23,230	27,410	4,925,000	-	4,925,000	9,430,000	-	9,430,000	14,355,000	617.95	2.25%		
2003	23,230	26,430	5,467,000	-	5,467,000	4,428,309	-	4,428,309	9,895,309	425.97	1.61%		

* SOURCE FOR POPULATION: US Census Bureau

** PERSONAL INCOME amounts were obtained from State estimates.

**CITY OF GALLATIN, TENNESSEE
DEBT CAPACITY INFORMATION
RATIOS OF GENERAL BONDED DEBT OUTSTANDING - LAST TEN FISCAL YEARS**

FISCAL YEAR	GOVERNMENTAL ACTIVITIES						RATIO OF GENERAL OBLIGATION DEBT TO APPRAISED VALUE	NET GENERAL OBLIGATION DEBT PER CAPITA	
	POPULATION	GENERAL OBLIGATION BONDS	TOTAL GOVERNMENTAL		BUSINESS - TYPE ACTIVITIES - NOTES	TOTAL PRIMARY GOVERNMENT			APPRAISED VALUE
			NOTES						
2012	30,278	7,960,000	2,810,000	10,770,000	744,902	11,514,902	944,739,332	1.22%	380.31
2011	30,278	8,420,000	3,150,000	11,570,000	869,052	12,439,052	921,041,801	1.35%	410.83
2010	28,677	8,865,000	3,480,000	12,345,000	993,202	13,338,202	903,798,781	1.48%	465.12
2009	28,198	13,105,000	-	13,105,000	1,117,352	14,222,352	772,787,864	1.84%	504.37
2008	27,569	9,730,000	-	9,730,000	-	9,730,000	728,115,320	1.34%	352.93
2007	23,917	10,140,000	-	10,140,000	-	10,140,000	671,943,489	1.51%	423.97
2006	23,917	3,510,000	-	3,510,000	-	3,510,000	550,729,184	0.64%	146.76
2005	23,917	4,175,000	-	4,175,000	-	4,175,000	509,114,317	0.82%	174.56
2004	23,230	4,925,000	-	4,925,000	-	4,925,000	493,158,842	1.00%	212.01
2003	23,230	5,467,000	-	5,467,000	-	5,467,000	402,978,051	1.36%	235.34

* SOURCE FOR POPULATION: US Census Bureau

**CITY OF GALLATIN, TENNESSEE
DEBT CAPACITY INFORMATION
PLEDGED REVENUE COVERAGE - LAST TEN FISCAL YEARS**

FISCAL YEAR	UTILITY SERVICE CHARGES	LESS: OPERATING EXPENSES	NET REVENUE AVAILABLE FOR DEBT		PRINCIPAL	INTEREST	TOTAL	PERCENT OF COVERAGE
			SERVICE					
2012	\$ 10,944,632	\$ 6,380,348	\$ 4,564,284	\$ 1,334,150	\$ 1,444,529	\$ 2,778,679	164.26%	
2011	10,784,113	6,825,971	3,958,142	1,140,000	1,404,543	2,544,543	155.55%	
2010	9,822,137	6,127,486	3,694,651	905,000	1,286,094	2,191,094	168.62%	
2009	9,371,205	5,955,230	3,415,975	940,000	1,392,100	2,332,100	146.48%	
2008	8,529,877	5,387,709	3,142,168	640,000	261,699	901,699	348.47%	
2007	7,961,528	4,774,065	3,187,463	545,000	280,828	825,828	385.97%	
2006	7,133,277	4,224,096	2,909,181	495,000	295,883	790,883	367.84%	
2005	7,218,859	3,719,668	3,499,191	490,000	320,726	810,726	431.61%	
2004	6,656,633	3,509,048	3,147,585	328,309	203,193	531,502	592.21%	
2003	5,994,631	3,514,308	2,480,323	326,444	216,588	543,032	456.75%	

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses. Sales tax increment bonds are backed by the sales tax revenue produced by the sales tax rate in effect when the bonds were issued (2.5 percent) applied to the increase in retail sales in the Commons shopping area since that time.

CITY OF GALLATIN, TENNESSEE
DEMOGRAPHIC AND ECONOMIC INFORMATION
DEMOGRAPHIC AND ECONOMIC STATISTICS - LAST TEN FISCAL YEARS

CALENDAR YEAR	CITY POPULATION*	COUNTY POPULATION*	PERSONAL INCOME**	PER CAPITA PERSONAL INCOME**	MEDIAN AGE*	COUNTY SCHOOL ENROLLMENT ***	COUNTY UNEMPLOY- MENT RATE****
2012	30,278	160,645	45,665	\$ 23,465	36.6	28,626	8.40%
2011	30,278	160,645	45,858	23,138	36.6	27,333	8.70%
2010	28,677	162,527	45,665	23,465	38.1	27,177	9.78%
2009	28,198	159,013	48,993	24,631	37.9	26,493	7.90%
2008	27,569	156,533	49,379	25,370	37.7	26,528	5.90%
2007	23,917	130,449	34,696	32,305	35.5	26,528	3.80%
2006	23,917	130,449	34,696	29,279	35.5	26,111	3.30%
2005	23,917	130,449	34,696	28,544	36.5	25,528	4.10%
2004	23,230	130,449	34,696	27,410	36.5	24,596	4.70%
2003	23,230	130,449	34,696	26,430	35.5	24,069	4.10%

* US Census Bureau

** State Estimate

*** Sumner County School Board

**** Tennessee State Department of Labor, Statistical Services

CITY OF GALLATIN, TENNESSEE
DEMOGRAPHIC AND ECONOMIC INFORMATION
PRINCIPAL EMPLOYERS - CURRENT YEAR AND NINE YEARS AGO

	2012			2003		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Sumner County Board of Education	3,750	1	33.15%	3617	1	35.99%
Sumner Regional Medical Center	943	2	8.34%	687	3	6.84%
Gap, Inc.	707	3	6.25%	1100	2	10.94%
Sumner County Government	500	4	4.42%	475	5	4.73%
Volunteer State Community College	387	5	3.42%	339	7	3.37%
City of Gallatin	358	6	3.16%	280	10	2.79%
Servpro Industries, Inc.	312	7	2.76%	N/A	N/A	N/A
ABC Group Fuel Systems	303	8	2.68%	N/A	N/A	N/A
R.R. Donnelley & Sons	225	9	1.99%	320	8	3.18%
Hoeganaes	172	10	1.52%	N/A	N/A	N/A
Bosch Gallatin	N/A	N/A	N/A	500	4	4.97%
G F Furniture	N/A	N/A	N/A	389	6	3.87%
Crescent Manufacturing	N/A	N/A	N/A	285	9	2.84%

Sources: Tennessee Department of Labor Workforce & Development and City of Gallatin's Economic Development

**CITY OF GALLATIN, TENNESSEE
OPERATING INFORMATION
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM, LAST TEN FISCAL YEARS**

Function/Program	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government:										
Mayor's Office	3	3	3	3	2	2	4	3	2	N/A
Planning (Combined in 2010)	0	0	0	6	7	7	6	5	5	N/A
Finance	8	8	5	4	5	5	5	5	5	5
City Attorney	3	3	3	3	3	2	2	2	2	N/A
Recorder	7	7	7	7	5	5	4	3	4	N/A
Personnel	2	2	2	2	2	3	3	3	3	N/A
Codes	13	14	14	8	9	9	7	7	5	N/A
Economic Development Agency	2	2	2	2	2	2	2	2	2	N/A
Information Technology	0	0	3	3	3	2	-	-	-	N/A
Public Safety:										
Police	88	88	90	90	81	82	75	73	74	N/A
Fire	71	73	58	58	55	55	50	50	43	N/A
Public Works	49	48	47	45	45	45	41	41	39	N/A
Leisure Services	30	29	29	29	22	22	20	20	19	N/A
Engineering	6	5	5	5	5	5	4	5	5	N/A
Public Utilities	86	85	84	79	80	80	64	64	63	N/A
Golf Course	0	0	0	0	8	8	8	8	9	N/A
Total	368	367	352	344	334	334	295	291	280	271

Sources: PERSONNEL OFFICIAL

***AUDITS PRIOR YEARS**

*

2009 numbers include 7 PPT employees and consolidates the 7 Golf personnel under Leisure Services. It does not include 14 unfilled positions (total authorized manning 358).
2010 numbers include 6 PPT employees and combines 6 Planning and 8 Codes employees into one department. It does not include 5 unfilled positions (total authorized manning 357).
2011 numbers include 6 PPT employees and combines 3 IT and 5 Finance. It does not include 6 unfilled positions (total authorized manning 373 as of 6/30/11) (377 as of 7/1/11)
2012 numbers include 3 PPT employees. It does not include 9 unfilled positions (total authorized manning 377 as 6/30/12).

**CITY OF GALLATIN, TENNESSEE
OPERATING INFORMATION
OPERATING INDICATORS BY FUNCTION / PROGRAM, LAST TEN FISCAL YEARS**

FUNCTION / PROGRAM	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police										
Physical arrests	4,526	4,911	5,450	6,019	6,277	6,678	7,363	8,154	7,293	4,856
Parking violations	450	1,087	815	1,216	1,538	1,305	1,124	1,429	1,276	1,208
Traffic violations	19,237	23,657	27,906	28,272	23,022	27,769	32,685	35,499	16,013	6,000
Red Light Camera Citations	7,188	10,986	13,610	10,790	16,021	14,125	N/A	N/A	N/A	N/A
Fire										
Emergency responses	3,016	3,176	2,474	1,901	2,456	2,043	874	756	730	726
Fires extinguished	110	102	95	82	125	97	76	113	83	101
Inspections	1,170	731	810	942	1,500	5,602	2,351	1,858	2,035	2,676
Animal Control										
Animals Restrained	786	765	967	1,187	796	810	939	997	760	N/A
Highways and Streets										
Street resurfacing (miles)	7.6	3	1	7	14	14	6	2	9	9
Potholes repaired	N/A	N/A	398	273	344	455	N/A	N/A	N/A	N/A
Other Public Works										
Utility cuts repaired	142	171	122	147	154	130	218	N/A	N/A	N/A
Parks and Recreation										
Athletic field permits issued	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Community center admissions	230,000	230,000	220,000	220,000	250,000	240,000	235,000	225,000	220,000	220,000
Community Service										
Number of organization benefited	16	16	16	17	15	15	15	15	12	12
Number of services benefited	4	4	4	4	5	5	6	3	3	3
Environmental Services										
Tons hauled	10,145	11,384	11,420	11,376	11,690	11,890	12,278	11,041	10,950	10,518
Water										
New connections	212	188	183	288	378	470	477	544	335	N/A
Water main breaks	36	48	50	62	56	48	39	44	31	55
Average daily consumption (thousands of gallons)	6,246	6,705	6,794	6,742	7,074	6,054	6,046	6,227	6,400	6,169
Peak daily consumption (thousands of gallons)	10,265	8,309	7,233	8,108	9,616	9,959	8,535	7,879	7,707	8,235
Sewer										
Average daily treatment (thousands of gallons)	5,621	5,835	5,392	5,172	4,550	5,225	4,698	5,183	5,200	5,119
Electric										
Average daily consumption (thousands of kilowatt hours)	2,164	2,146	2,140	1,858	2,161	2,062	2,092	2,024	2,089	2,016
Natural Gas										
Average Daily Consumption: Summer -April/October (thousands of cubic feet)	4,319	4,928	4,068	3,746	4,311	3,509	3,572	3,986	3,989	4,077
Winter-November/March (thousands of cubic feet)	6,940	9,102	7,860	7,401	7,664	7,377	6,930	7,520	7,903	8,042
Golf										
Rounds Played	45,000	44,000	46,000	46,000	45,000	45,728	44,091	41,642	46,415	41,888

Sources: Various city departments

Notes: Indicators are not available for the general government function.

**CITY OF GALLATIN, TENNESSEE
OPERATING INFORMATION
CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM, LAST TEN FISCAL YEARS**

FUNCTION / PROGRAM	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	1	1	1	1	1	1	1	1	1	1
Patrol units	77	70	71	67	62	61	59	54	60	58
Fire										
Stations	4	3	3	3	3	3	3	3	2	2
Fire trucks	7	9	9	9	9	9	9	9	7	7
Animal Control										
Trucks	2	2	2	2	2	1	1	1	1	1
Highways and Streets										
Streets (miles)	193.5	193	186	184	182	185	184	182	180	179
Streetslights	3,602	3,511	3,562	3,322	3,443	3,266	3,230	3,141	N/A	N/A
Traffic signals	352	358	330	329	320	251	251	N/A	N/A	N/A
Sidewalks (miles)	42	41	37	35	33	33	29	28	27	27
Parks and Recreation										
Acreage	532	532	532	532	486	486	486	486	486	486
Playgrounds	4	4	4	4	4	4	4	4	4	4
Baseball/softball diamonds	23	23	23	23	23	23	19	19	19	19
Soccer/football fields	8	8	8	8	8	8	8	8	8	8
Community centers	2	2	2	2	2	2	2	2	2	2
Volleyball Courts	4	4	4	4	4	4	4	4	4	4
Basketball Courts	6	6	6	6	6	6	4	4	4	4
Picnic Shelters	14	13	13	13	13	13	13	13	11	11
Tennis Courts	6	6	6	6	6	6	9	9	9	9
Horseshoe Pits	9	9	9	9	9	9	9	9	9	9
Fishing Piers	2	2	2	2	2	2	2	2	2	2
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Walking Trail (miles)	5	4	4	4	4	4	3	3	3	1
Disc Golf (holes)	18	18	18	18	18	18	18	18	18	18
Model Airplane Strip	1	1	1	1	1	1	1	1	1	1
Skate Park	1	1	1	1	1	1				
Environmental Services										
Refuse Trucks	19	18	17	16	15	13	13	N/A	N/A	N/A
Water										
Water mains (miles)	323	338	336	335	333	325	319	218	213	209
Fire hydrants	1,888	1,888	1,850	1,828	1,802	1,760	1,715	1,610	1,460	1,400
Storage capacity (thousands of gallons)	13,000	13,000	13,000	13,000	13,000	13,000	13,000	8,000	8,000	8,000
Percent of Water Loss in System	20	21	23	22	12	7	4	6	9	6
Sewer										
Sewer mains (miles)	220	220	217	217	216	196	327	178	171	165
Pump Stations	40	40	37	37	37	37	32	33	31	29
Natural Gas										
Gas lines (miles)	361	360	359	355	350	338	328	313	305	300
Golf										
Acres	136	136	136	136	136	136	136	136	136	136
Holes	18	18	18	18	18	18	18	18	18	18
Driving Range	1	1	1	1	1	1	1	1	1	1

Sources: Various city departments
Notes: No capital asset indicators are available for the general government.

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
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Kentucky Society of Certified Public Accountants



Certified Public Accountants
Offices in Tennessee & Kentucky

227 Oil Well Rd.
Jackson, TN 38305

Phone 731.427.8571
Fax 731.424.5701
www.atacpa.net

**Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With Government Auditing Standards**

Honorable Jo Ann Graves, Mayor
Members of the City Council
City of Gallatin, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gallatin, Tennessee (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 11-01, 12-01 and 12-02 to be material weaknesses.

Honorable Jo Ann Graves, Mayor
Members of the City Council
City of Gallatin, Tennessee

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is shown in the accompanying schedule of findings and questioned costs as 12-01.

We noted certain matters that we reported to management of the City in a separate letter dated December 26, 2012.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended for the information of the Mayor and City Council, management, federal awarding agencies and pass-through entities, and the Comptroller of the Treasury, State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Alexander Thompson Arnold, PLLC". The signature is written in a cursive, flowing style.

Jackson, Tennessee
December 26, 2012

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
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**Independent Auditor's Report on Compliance with Requirements
that Could Have a Direct and Material Effect on Each Major Program
and on Internal Control over Compliance Required by OMB Circular A-133**

Honorable Jo Ann Graves, Mayor
Members of the City Council
City of Gallatin, Tennessee

Compliance

We have audited the City of Gallatin, Tennessee's (City) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test

Honorable Jo Ann Graves, Mayor
Members of the City Council
City of Gallatin, Tennessee

and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Mayor and City Council, management, federal awarding agencies and pass-through entities and the Comptroller of the Treasury, State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Alexander Thompson Arnold, PLLC".

Jackson, Tennessee
December 26, 2012

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:		Unqualified
Internal control over financial reporting:		
Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> X </u> yes	<u> </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Type of auditor's report issued on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133	<u> </u> yes	<u> X </u> no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
97.044	Assistance to Firefighters

Dollar threshold used to distinguish between type A and type B programs:

 \$ 300,000

Auditee qualified as low-risk auditee?

 yes X no

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

Prior Year Findings Repeated

11-01 Audit Adjustments (Material Weakness)

Condition: The City maintains the books throughout the year on a modified-cash basis and then adjustments are made during the audit to convert from modified to full accrual for the proprietary funds. Identification by the auditor of a material misstatement in the financial statements for the period under audit that was not initially identified by the entity's internal control is a deficiency in internal control even if management subsequently corrects the misstatement. During the audit there were numerous entries posted to reclassify items from income statement accounts to the balance sheet including debt issuance, fixed asset purchases, etc. in the proprietary funds. There were also multiple entries made to the central depository accounts and accounts receivables in the governmental funds as well as the proprietary funds.

Criteria: A good system of internal control is part of generally accepted accounting principles.

Effect: Keeping the books on the modified cash basis for the proprietary funds and not reconciling all balance sheet accounts for all funds causes the financial statements to be materially misstated during the year.

Recommendation: Management should review the adjustments made during the audit to determine what entries should be recorded during the fiscal year prior to beginning the annual audit. Most of these entries could be determined by management prior to the audit and recorded as estimates when necessary. In addition the books for the proprietary funds should be kept on the full accrual basis.

Response: Management will make every effort to post year-end entries prior to the beginning of the audit process.

Current Year Findings

12-01 GASB 54 Noncompliance (Noncompliance and Material Weakness)

Condition: During our audit we noted that the City accounts for certain activities in separate funds which do not meet the definition of special revenue funds under Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*. The fund involved is the Industrial Park fund. This is not in compliance with the requirements of the *Internal Control and Compliance Manual for Tennessee Municipalities*.

Criteria: Under GASB Statement No. 54, in order for a fund to qualify as a special revenue fund, it must have a revenue stream as the foundation of the fund which is restricted or committed. If a fund does not qualify as a special revenue fund, it should be reported as a part of the general fund. Title 4, Chapter 2, Section 1 of the *Internal Control and Compliance Manual for Tennessee Municipalities* states

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

"The accounting records maintained by the municipality should be consistent with the financial reporting of the municipality. That is, if the municipality reports a fund, the accounting records must include a separate fund in which activity is posted throughout the year. Likewise, if the accounting records include a fund in which activity is posted throughout the year, the financial report should reflect." This requirement does not allow for separate accounting records for a fund which is included in the general fund for financial reporting.

Effect: The City is not in compliance with Title 4, Chapter 2, Section 1 of the *Internal Control and Compliance Manual for Tennessee Municipalities*.

Recommendation: We recommend that the City close the operations of the Industrial Park fund into the general fund. Alternatively, appropriate action may be taken by the Mayor and City Council to restrict or commit the foundational revenue sources of these funds which would then qualify it as a special revenue fund under GASB Statement No. 54.

Response: The City will take the necessary steps to close the Industrial Park Fund into the General Fund either before or immediately after June 30, 2013; pending final action by the Mayor and City Council.

12-02 Failure to Clear Reconciling Items on Balance Sheet Accounts (Material Weakness)

Condition: During our audit we noted that the City had old reconciling items in numerous balance sheet accounts including accounts receivable, accounts payable, cash, etc. from a software conversion several years ago as well as auditor posted entries in the past that had not been investigated and cleared.

Criteria: All balance sheet accounts of the City should be reconciled monthly and reconciling items should be investigated and cleared.

Effect: When reconciling items are left on the balance sheet, the income statement as well as the balance sheet could be materially misstated. Further, when these items are not investigated and cleared, it exposes the City to misappropriation or theft occurring without City personnel detecting it.

Recommendation: We recommend that all balance sheet accounts be reconciled monthly and all reconciling items be investigated and cleared accordingly.

Response: The accounting personnel will work to make sure that all reconciling items clear in subsequent months or determine what the item is and clear it accordingly.

Prior Year Findings

All prior year findings not repeated above have been resolved.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year Findings

None reported.

Prior Year Findings

There were no prior year findings reported.

CORRECTIVE ACTION PLAN

The City of Gallatin, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2012.

Name and address of independent public accounting firm:

Alexander Thompson Arnold PLLC
227 Oil Well Road
Jackson, TN 38305

Audit period:

June 30, 2012

The findings from the June 30, 2012 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

11-01 Audit Adjustments (Material Weakness)

Recommendation: Management should review the adjustments made during the audit to determine what entries should be recorded during the fiscal year prior to beginning the annual audit. Most of these entries could be determined by management prior to the audit and recorded as estimates when necessary. In addition the books for the proprietary funds should be kept on the full accrual basis.

Response: Management will make every effort to post year-end entries prior to the beginning of the audit process

12-01 GASB 54 Noncompliance (Noncompliance and Material Weakness)

Recommendation: We recommend that the City close the operations of the Industrial Park fund into the general fund. Alternatively, appropriate action may be taken by the Mayor and City Council to restrict or commit the foundational revenue sources of these funds which would then qualify them as special revenue funds under GASB Statement No. 54.

Response: The city will take the necessary steps to close the Industrial Park Fund into the General Fund either before or immediately after June 30, 2013; pending final action by the Mayor and City Council.

12-02 Failure to Clear Reconciling Items on Balance Sheet Accounts (Material Weakness)

Recommendation: We recommend that all balance sheet accounts be reconciled monthly and all reconciling items be investigated and cleared accordingly.

Response: The accounting personnel will work to make sure that all reconciling items clear in subsequent months or determine what the item is and clear it accordingly.